

# **FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 2004**

**THURSDAY, JUNE 5, 2003**

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, DC.*

The subcommittee met at 2:08 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Mitch McConnell (chairman) presiding.

Present: Senators McConnell, Bond, DeWine, Burns, Leahy, and Landrieu.

## **AGENCY FOR INTERNATIONAL DEVELOPMENT**

### **STATEMENT OF ANDREW S. NATSIOS, ADMINISTRATOR**

#### **OPENING STATEMENT OF SENATOR MITCH MC CONNELL**

Senator McCONNELL. The hearing of the Foreign Operations Subcommittee will come to order. I want to welcome Administrator Natsios. It is always a pleasure to have you before this subcommittee.

Let me begin by acknowledging the difficult task you and your agency face in the post-September 11 world. With the welcomed liberation of Iraq and Afghanistan comes the need for immediate and significant relief and reconstruction programs. These activities are often conducted in dangerous and dynamic environments and your courageous field staff, NGO partners, and contractors should be recognized for the risks they are willing to assume in coming to the aid of the Afghan and the Iraqi people.

Emerging from decades of repression, these countries require the full gamut of U.S. assistance programs from food, water, and health care to governance, economic development, and rule of law programs. Concurrent with addressing the needs of newly liberated countries, USAID must keep an eye on those at-risk nations—such as Pakistan, the Philippines, and Indonesia—where threats from terrorism have yet to subside. Again, a broad range of development programs are required to deny the breeding grounds—such as poverty, illiteracy, and a lack of economic opportunities—for extremist ideologies and terrorism.

Finally, no less pressing or deserving of attention are USAID programs and activities conducted in developing countries in Africa, Southeast Asia, and elsewhere. There seems to be no shortage of global crises, whether human catastrophes caused by corrupt

governments or health emergencies fueled by expanding HIV/AIDS infection rates.

A business-as-usual approach is no longer adequate in meeting new and pressing demands on our foreign assistance. While the fiscal year 2004 foreign operations budget request is \$2.7 billion above the fiscal 2003 level, the majority of this increase is targeted toward new presidential initiatives that appear at first glance to maximize and make more efficient the delivery of U.S. foreign assistance.

For example, the Millennium Challenge Account proposes increased assistance to those countries meeting certain eligibility requirements, including a government's commitment to ruling justly, meaning a country's leadership has the political will to respect and enforce the rule of law, protect freedoms and liberties, and crack down on corruption. Many nations currently receiving U.S. foreign aid will not qualify for MCA funds because of this requirement. To maximize the impact of our foreign aid dollars, perhaps we should consider expanding the "ruling justly" requirement to our more traditional bilateral assistance programs.

Let me just close with a few comments on the reconstruction of Iraq. First, the subcommittee would appreciate your assessment of how programs are proceeding on the ground and an analysis of those obstacles and challenges the coalition will face in the weeks and months ahead. Second, many of our colleagues and I have been contacted by American companies eager to assist in the reconstruction of that country and today's hearing affords you an opportunity to clarify how contracts are being awarded and where those companies can turn for information and assistance.

#### PREPARED STATEMENT

Finally, it would be useful to articulate what you believe the long and short-term expectations of the Iraqi people are in terms of reconstruction and democratic governance.

With that, let me call on my friend and colleague Senator Leahy, the ranking member, for his opening statement.

[The statement follows:]

#### PREPARED STATEMENT OF SENATOR MITCH MCCONNELL

Welcome, Administrator Natsios. It is always a pleasure to have your appear before this subcommittee.

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I look forward to your testimony.

#### OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Thank you very much, Mr. Chairman.

First, Mr. Natsios, we are always pleased to see you and glad to have you here. As you know, I have been a strong supporter of USAID. I am always impressed by the quality of the men and women who work there, both in Washington and overseas. I do not always agree with where the funds go, but we need to work together.

I remember the mid-1990s, when some of my colleagues in the other party in the other body were trying to shut down USAID. It did not happen. I also would point out that the chairman of this subcommittee has been one who has strongly supported the wise use of foreign aid. He has done it with the care that Senators of both parties ought to emulate.

But now you are under assault from your own administration and from some in the House and the Senate. I will give you a couple of examples. The President wants to set up another bureaucracy outside of USAID to run the Millennium Challenge Account. The AIDS bill which the President just signed takes all your HIV/AIDS money and the power to decide how it is used and gives it to an independent coordinator. The Pentagon, not USAID or the State Department, is in charge of the biggest international relief and reconstruction effort in recent years, in Iraq.

So I look forward to hearing your perspective on the future of USAID. It seems to me the White House sees you as increasingly irrelevant.

I am also interested in hearing your views on nation-building. I remember the President’s National Security Adviser, Dr. Rice, criticizing the Clinton Administration for nation-building in the former Yugoslavia. To quote her, she said: “We do not need the 82nd Air-

borne escorting kids to kindergarten.” However, nation-building today is a major theme of the administration’s foreign policy. It is still the same world it was just a few years ago, but then nation-building was a bad idea, today it is a good idea. We are engaged in nation-building on a scale unlike anything since the Marshall Plan from Iraq to Afghanistan to East Timor to the Balkans.

I believe we do have a strong interest in helping these countries rebuild, but that does not mean that I agree with everything that is being done. In Afghanistan, President Bush said we need a Marshall Plan. Last year, the administration did not request a cent for Afghanistan, and the amount of aid the President has requested since September 11 pales in comparison to the Marshall Plan.

In fact, last year, when the administration did not put in the money for their so-called Marshall Plan for Afghanistan, Congress had to take resources from other, very important programs to give to Afghanistan. Even the amount we appropriated fell short. Warlords continue to wield power over large areas of the country. Afghanistan’s future remains far from secure.

In Iraq, it seems as if we are making it up from one day to the next. Months after the fall of Saddam Hussein, millions of Iraqis are without adequate water, shelter, employment, or any idea of what lies ahead. Yet everybody in both parties said these issues would have to be addressed after the war in Iraq. We all knew we would win the war, whether we supported it or not. We were sending the most powerful military the world has ever known against a fourth-rate military power; of course we are going to win. But nobody really thought much about what to do afterward.

Two months ago we appropriated \$2.4 billion for Iraq relief and reconstruction. Monday OMB said there is no coherent plan or strategy for what to do with that \$2.4 billion.

The President has received a lot of credit for increasing funds to combat AIDS. I totally agree with the President, but I doubt many people know that to do that his budget cuts just about everything else that we are doing in international health, all the programs that have been supported by both Republicans and Democrats for as long as I can remember. He would cut child and maternal health programs, aid for vulnerable children, funding to combat other infectious diseases, which kill millions of people, mostly children, the kind of diseases our people do not have to even worry about because it is only a matter of pennies to pay for the vaccinations.

But the money for these programs is being cut to fund the AIDS bill. It also cuts family planning.

Development assistance—the President’s budget would cut funding for these core programs, agriculture, children’s education, democracy-building—by \$35 million. That makes no sense, and I think it goes back on the pledge that the funding for the Millennium Challenge Account is in addition to, not in place of, funding for existing programs.

I worry about procurement at USAID. Everything you are trying to do is being hampered by bottlenecks in your procurement office. I know that is one of the things you want to fix and I want to know when it is going to be fixed.

With that I will stop, Mr. Chairman.

Senator McCONNELL. Thank you, Senator Leahy.

## SUMMARY STATEMENT OF HON. ANDREW S. NATSIOS

Mr. Natsios, we will put your full statement in the record and if you could give a brief summary, we will maximize the opportunity for questions.

Mr. NATSIOS. Thank you very much, Senator. I want to thank the committee, both parties, for the strong support that our Agency has received from you Senators as well as from your staff. Paul Grove and Tim Rieser have been extraordinarily helpful and cooperative with us. We do not always agree on everything, but we appreciate the cooperative and open spirit that we have in dealing with the staff of the committee.

The last year has seen changes that none of us anticipated in many areas of the world, and we have begun a number of major new activities that I would like to talk about. Last fall we issued a set of papers called the "Foreign Aid and the National Interest Report" that tracks where we expect foreign assistance to go, broadly speaking, over the next decade. It is on our web site. We have widely distributed it. It is done by some of the preeminent scholars in development assistance and humanitarian relief in the country. Larry Diamond, for example, wrote the first chapter; he is one of the two great democracy scholars in the United States. But it is a road map. It is a direction for where we need to go, what has worked and what has not worked.

We have begun new initiatives in agriculture, in basic education, in trade capacity building. In the budget that you have before you, all of these areas will show increases in funding. Basic education goes up by over \$45 million, agriculture goes up by about \$10 million.

In addition, we have funded both in the State budget and the AID budget a line item should there be a just and equitable peace settlement in Sudan. We are the closest we have been in 20 years to a peace agreement in Sudan, and in our budget we have committed that should peace break out the U.S. Government would provide funds for reconstruction in Sudan.

There is I think great excitement in the agency because of the enormous potential for the expansion of the foreign assistance program of the U.S. Government. The President has proposed essentially a 70 percent increase in the budget for foreign assistance over the next three years through the Millennium Challenge Account and the HIV/AIDS account. We are already spending about a billion dollars, all spigots, on HIV/AIDS. The President has proposed an additional \$2 billion. Of course, the Millennium Challenge Account is a \$5 billion increase, the first installment of which, \$1.3 billion, is in the fiscal 2004 budget.

You ask, Mr. Chairman, about the Iraq and Afghanistan reconstruction. We would be glad to send you a detailed account of what is going on in both those budgets, but in the budget for 2004 between State and AID in all spigots for our two budgets, the 150 account, we have proposed \$657 million in the 2004 budget for reconstructing Afghanistan.

This year AID alone is spending, because of your appropriation, \$350 million in five major initiatives in Afghanistan. One is a major new agricultural initiative, \$150 million over three years; a

health initiative to extend health care across the country, 400 new health clinics of the 1,100 we believe need to be put in place to serve the country; a 300-mile road which is critically important to tying the Pashtun south, Kandahar, with Kabul, which will be completed by December of this year—imagine building a road from Boston—I come from New England—to Washington in eight months, in an area that is the most insecure in the country. We are progressing, though, substantially.

We have democracy and governance programs. We are helping the national Government with advice on options they have for writing their new constitution, which is a process that is ongoing now.

We also have an economic governance package that went into effect in September of last year, October of last year, which helps with the selling off of state-run enterprises, all of which are bankrupt, a new budgeting system for the national Government, a new customs collection system, a new uniform commercial code. We helped create the currency for the country that was issued last fall, working with the central bank. And a new education initiative where we will build 1,200 schools across the country and double the number of textbooks. We printed 15 million, we are going to print another 15 million, for a total of 30 million. We are the source of textbooks for public education in Afghanistan.

In Iraq, we have spent \$450 million on the humanitarian relief side, mostly on food aid, to make sure there is a bridge between now and the time the Oil for Food program goes into effect later this summer.

We have spent \$98 million so far of the reconstruction money and another \$234 million has been released by Congress and by the OMB that will shortly be put in the reconstruction accounts. We have an elaborate plan for how to spend that money. I can only speak for what I do. We have a plan for spending \$1.1 billion in reconstruction and \$600 million for humanitarian relief. We started designing that last October with 200 staff from AID. There are 100 AID staff now in Iraq or in Kuwait City where some of our offices are working.

Finally, I would like to mention the question that you brought up, Senator, on the procurement system. We indeed have a new procurement software system which we hope to install, but we cannot install it until after the new Phoenix system for our financial management has been installed in the field. It has been installed in the Washington and beginning actually last week we initiated a 25-month plan to install Phoenix in the missions, in 79 missions around the world. Actually, it will be in a reduced number of missions—we are collapsing the number of accounting stations—but it will serve the field.

Once that is in place, there are two things we can attach to it. One is this new procurement system, which will make much more efficient the way in which we do our procurements. The second thing we will be able to do is an information warehouse software package, which will allow information—the questions you give us now that we must manually calculate because we do not have and have not had for 25 years a unified financial management system worldwide. We will have that within 25 months if all goes according to plan.

So the business systems reforms are 50 percent there, but they are not finished yet, and until they are I will not be satisfied. But we do appreciate very strongly the support of the committee in this.

I want to just end by making a comment about extending the MCA standards, which you, Mr. Chairman, very thoughtfully brought up, as an option for our regular programs. We have proposed in fact to the White House and to the Congress a package that seeks to restructure AID, not from a statutory standpoint, but we will look at countries and divide them specifically into the following categories:

Countries that just barely missed being eligible for MCA status, but want to make it, and they will require heavy reforms and focus on the areas where they failed to meet the MCA standards. So we will direct our resources in those countries in the areas where they were failing.

The second are countries that are failed and failing states. We have a new bureau. It is not new any more, it is two years old, but we have reorganized. Roger Winter heads that bureau, who is widely known in the NGO community and the human rights community. It is a bureau that deals with failed and failing states, called Democracy, Conflict, Humanitarian Assistance. That bureau has more money in it than ever in AID history. It is up to almost \$2 billion this year, for failed and failing states, for countries that are not even remotely on the chart for MCA, but that we do not want to forget.

The third category are countries that are in our geostrategic interest. Egypt, Jordan, Pakistan are three ESF countries. They are in a separate category. We must make those countries' programs be geared to the geostrategic national security interests, narrowly defined, of the United States Government. We need to treat them in that category.

Finally, there are countries that just are not close to making it. We need to ascertain in those countries whether there is the will to reform, and if there is the will to reform we will help them move toward MCA status, but it will take a while to get there. And if there is no will and the country is really stuck and there is no chance of it getting out because of the absence of political leadership, we will work exclusively through the NGO community and the university community and not deal with the Government.

#### PREPARED STATEMENT

Senator, I know you have a lot of concerns about several countries in Asia in that category, which we would very much agree with you on. But we need to think clearly about which countries fit in which categories and restructure our program along those lines.

I would like to submit my written testimony, which is much more lengthy, for the record.

[The statement follows:]

## PREPARED STATEMENT OF HON. ANDREW S. NATSIOS

Chairman McConnell, Senator Leahy, members of the subcommittee: Thank you for inviting me here today to discuss the President's budget for the U.S. Agency for International Development for fiscal year 2004.

## THE STRATEGIC IMPORTANCE OF DEVELOPMENT ASSISTANCE IN THE NEW MILLENNIUM

We live in an era that has seen dramatic change in recent years—an era that is rapidly evolving. Globalization, technology, HIV/AIDS, rapid population growth, terrorism, conflict, weapons of mass destruction and failing states—these are just some of the issues shaping today's world. Most of these issues—both good and bad—do not recognize national borders. They affect us directly and are dramatically altering the way in which we think and operate.

The Bush Administration is restructuring and revolutionizing our national security apparatus so we can better respond to the challenges facing the world today. Under the President's leadership, USAID is also changing. Where appropriate, we are applying lessons we have learned over the years, whether in Afghanistan or Iraq, or in the fight against HIV/AIDS in Africa and around the world. This ability to adapt will determine our success as part of the President's resolute campaign to attack poverty, ignorance and the lack of freedom in the developing world.

In September 2002, President Bush introduced his National Security Strategy. In it, the President discussed development as a vital third pillar of U.S. national security, alongside defense and diplomacy. Thus for the first time, the Strategy recognizes the importance of both national and transnational challenges, such as economic growth, democratic and just governance, and HIV/AIDS to our national security.

The President's National Security Strategy identifies eight concrete goals. Two of them speak directly to our development mission. The first is to ignite a new era of global economic growth through free markets and free trade. The second is to expand the circle of development. Trade capacity building lies at the intersection of these two goals, and supports both. It promotes USAID's core concern with development, while reinforcing the core U.S. trade policy goal of further opening up and expanding international trade.

Foreign assistance will be a key instrument of U.S. foreign policy in the coming decades. As a consequence, our foreign assistance budget is poised to rise dramatically. The President's recent budget requested a dramatic increase in the development and humanitarian assistance account, from \$7.7 billion in fiscal year 2001 to more than \$11.29 billion in fiscal year 2004. It is clear that this Administration has taken development off the back burner and placed it squarely at the forefront of our foreign policy. But this is only one piece of an unprecedented and concerted commitment by President Bush and the U.S. Government make foreign assistance more effective.

## THE CHANGING LANDSCAPE OF FOREIGN ASSISTANCE

Looking back over several decades, one must recognize that the developing world has made significant progress. Of the world's 200 countries in 2001, for example, 124 were democracies at least in some form. This is an unprecedented number. Similarly, most of the world's 6.2 billion people now live in countries where some form of market economics is practiced. This is a dramatic increase since 1980. Population growth rates are down, and in some parts of the world health and education levels have surpassed U.S. levels of 50 years ago. Globalization has integrated the world's markets for goods, services, finance, and ideas. Remarkable advances in biotechnology are bringing the promise of new cures for the sick and new kinds of seeds and food for the hungry.

But we still face an uncertain future. In many developing countries, HIV/AIDS and health issues are having a dramatic impact on social cohesiveness and economic strength, blocking the very development goals we seek. Virtually all the new democracies in the world today are fragile; others are democracies more in name than substance. Nearly a quarter of the people living in developing countries, or about one billion people, live in absolute poverty. There are a host of other threats—ranging from terrorism to infectious disease and violent conflict—that challenge us and the developing nations we seek to help.

Events such as the Monterrey Conference on Financing for Development and our recent report, *Foreign Aid in the National Interest*, are helping us focus clearly on what has been accomplished so far and what needs to be done to meet the challenges that lie ahead. The President's Millennium Challenge Account (MCA), an-



nounced at Monterrey, is a direct outgrowth of what USAID and our development partners have learned.

Simply put, development assistance works best when nations have responsible institutions and governments that pursue policies conducive to economic growth. Democratic governance, sound policies, and open, transparent institutions are the keys to development. Performance, not intentions, is what matters most, so we have learned the importance of measuring that performance with rigorous and unbiased indicators.

Many of the grave issues facing the developing world require us to take new approaches. We have to revolutionize how we think about aid in general and USAID in particular. The issue of how to deal with failed and failing states is just one example. As the President's National Security Strategy stated, "America is now threatened less by conquering states than we are by failing ones."

Under the leadership of President Bush and Secretary of State Powell, we now have both the opportunity and the obligation to implement a development strategy that clearly defines our challenges and identifies the best approaches to address them. We are working more closely than ever at the interagency level to clarify the roles and linkages of U.S. development institutions. The work done on the MCA is an example of this renewed interagency coordination. Working with the State Department to develop a joint strategy should greatly improve coordination of our foreign assistance programs.

#### THE MILLENNIUM CHALLENGE ACCOUNT AND THE ROLE OF USAID

As I stated in earlier testimony on the MCA, I find it helpful to think of countries in five broad groupings:

- MCA countries or the best performers.
- Countries that just miss qualifying for the MCA and with a little help have a good chance of doing so.
- Mid-range but performing counties with the commitment to reform. For these countries, our assistance will focus on achieving progress in specific aspects of development, especially economic growth and democratic governance.
- Selected failed, failing, and post-conflict states that require specialized assistance, post-conflict reconstruction or humanitarian assistance. This is a new element of the Agency's core business. In these countries our objective will be establishing greater security, stability and order. Programs will focus on food security, improving governance, and building the collective sense of nationhood that must precede evolution to more democratic forms of government and lay the groundwork for countries to move toward longer-term development.
- Countries requiring assistance for strategic national security interests.

I would like to highlight our belief that focusing on responsible governance and good performers must infuse all our development efforts—not just the MCA. This should be the case for other bilateral and multilateral donors as well. In this way, the MCA will serve as a model for all of our assistance programs. Indeed, we are already applying an MCA lens to our country programs, informing resource decisions. The strategic budgeting system that we will be adopting will base the allocation of resources on criteria such as need, performance, commitment, and foreign policy priority. The intent is to have a more performance-driven and cost-effective foreign aid program that is fully responsive to our national security objectives.

#### STRATEGIC DIRECTION AND BUDGET PRIORITIES

USAID manages program funds from a number of Foreign Affairs accounts directed at addressing a broad array of international issues facing the United States. These range from fighting the HIV/AIDS pandemic to sustaining key countries supporting us in the war on terrorism to bolstering democracy, the rule of law and good governance in countries important to our national security. Many of these issues were highlighted in Secretary Powell's excellent testimony before this subcommittee on April 30.

For fiscal year 2004, the Administration's request from the accounts USAID manages is \$8.77 billion in program funds. The account breakout is provided below followed by a discussion of program priorities.

- \$1.345 billion for Development Assistance, and \$1.495 billion for Child Survival and Health; \$235.5 million in International Disaster Assistance; \$55 million for Transition Initiatives.
- \$2.535 billion in Economic Support Funds; \$435 million for assistance for Eastern Europe and the Baltics; and \$576 million for assistance for the Independent States of the Former Soviet Union. We co-manage these funds with the State Department.

—\$1.185 billion in Public Law 480 Title II funds are managed by USAID.

Our readiness to manage these resources and deliver the results intended is of particular importance to me. The budget request for salaries and support of our staff that manage these programs is \$604 million. In addition we request \$146 million for the Capital Investment Fund, \$8 million to administer credit programs and \$35 million to support the Office of the Inspector General.

*Economic Growth, Agriculture and Trade.*—The Administration's request for these programs is \$2.316 billion, including \$584.2 million in Development Assistance.

Economic growth is an essential element of sustainable development and poverty reduction. Trade and investment are the principal mechanisms through which global market forces—competition, human resource development, technology transfer, and technological innovation—generate growth in developing and developed countries. During the 1990s, developing countries that successfully integrated into the global economy enjoyed per capita income increases averaging 5 percent annually. However, countries that limited their participation in the global economy saw their economies decline.

In the President's National Security Strategy, he set the goal of igniting a new era of global economic growth through free markets and free trade. At the March 2002 International Financing for Development conference in Monterrey, Mexico, leaders of developed and developing countries agreed that trade and investment are critical sources of development finance—far outweighing foreign assistance in the broader context of international capital flows. President Bush pointed out that developing countries receive \$50 billion a year in aid, while foreign investment inflows total almost \$200 billion and annual earnings from exports exceed \$2.4 trillion.

I am proud that USAID has just issued a new Trade Capacity Building Strategy as a cornerstone of our economic growth efforts. In developing this strategy, USAID has worked closely with Ambassador Zoellick, the U.S. Trade Representative. USAID will enhance trade capacity building programs with new initiatives to support developing countries' participation in international trade negotiations and help countries develop trade analysis expertise. To support trade agreement implementation, USAID will introduce new programs to promote sound systems of commercial law and improved customs management. USAID will also help developing countries establish open and competitive markets in service sectors that are critical to trade and strengthen economic responsiveness to opportunities for trade. We will build on the success of the Africa Growth and Opportunity Act (AGOA) to provide market-access for goods produced in sub-Saharan Africa. We are also implementing the President's Trade for African Development Initiative (TRADE) and preparing Central American countries to adopt a Central America Free Trade Agreement (CAFTA), for which we began negotiations earlier this year. We are also carrying out a broad range of trade capacity building activities throughout the Americas in support of the negotiations for a Free Trade Area of the Americas.

Economic growth and poverty reduction also depend on increased productivity at the firm level. Strong micro-enterprise and small business sectors will continue to receive emphasis as important elements of USAID's approach to growth.

For many poor countries with largely rural societies, agriculture connects poor people to economic growth. A vibrant and competitive agricultural and business sector fosters growth. And a supportive policy and institutional enabling environment encourages enterprise, innovation and competitiveness.

Agricultural development remains a critical element of USAID's approach to economic growth and poverty reduction. Most of the world's poorest and most vulnerable populations live in rural areas and depend on agriculture. In fiscal year 2004, the budget request includes \$268.4 million in Development Assistance and \$470.2 million from all accounts for agricultural development.

The requirements for agricultural development are well known. Increasing productivity will lead to higher incomes and more investment in the agricultural sector. USAID programs will address these factors at the national, regional and local levels and increase attention to agriculture in Latin America and Africa. Particular emphasis is being given to the President's Initiative to End Hunger in Africa. We will also boost agriculture in developing countries by restoring the budgets of global agricultural research centers, training scientists, and funding science-based applications and biotechnology. Additionally, we will work to connect farmers to global supply chains by encouraging agricultural trade reform, supporting producer organizations and promoting needed market infrastructure.

Modern biotechnology offers great promise in addressing food insecurity in Africa and elsewhere in the developing world. We are helping build national and regional biotechnology research programs that focus on increasing the productivity and nutritional quality of African food crops. A good example is our support for the African

Agricultural Technology Foundation, a partnership between USAID and several private entities.

*Environment.*—The Administration's request for environmental programs is \$449.2 million including \$286.4 million in Development Assistance.

Environmental degradation is an increasing threat to long-term development with severe effects on health, trade, and poverty reduction efforts in general. Effects can be felt directly in the United States, as in the case of climate change. It is in our interest to ensure that policies and institutions actually support sustainable development. USAID's efforts will focus on four initiatives: Water for the Poor; Clean Energy; the Congo Basin Forest Partnership; and Global Climate Change, as well as ongoing programs in natural resource management, forestry, reducing illegal logging, and minimizing pollution.

*Democratic Governance.*—The Administration's request for Democratic Governance from all accounts is \$1.0208 billion including \$164.8 million in Development Assistance.

Governance based on principles of accountability, participation, responsiveness and effectiveness is the foundation of development and the key to achieving progress in the three areas named by President Bush in the MCA—ruling justly, promoting economic freedom, and investing in people. Our democracy and governance programs will give new emphasis to strengthening public administration, assisting policy implementation, and providing citizen security, all of which are integral to democratic governance. We will continue to support assistance programs involving human rights, the rule of law, strengthening political processes, promoting civil society including organized labor, and building local government capacity. Anti-corruption programs will receive special attention and funding. Programs to prevent trafficking of persons and assist victims of war and torture will also be continued.

One of the most significant lessons we have learned is that governance—policies, institutions and political leadership—and not resources alone, matter most. Thus, USAID will reduce assistance to countries where a commitment to democratic governance is lacking. This “tough love” approach is necessary, if we are to provide resources where they can be most effective. At the same time, governance is critically important in “fragile” and failed states. USAID will begin to selectively offer support in such countries towards the provision of security, stability and reconstruction which will provide the basis for future development.

While we face democratic governance challenges around the globe, they are particularly acute at this time in the Mid East and broader Muslim world.

*Health and Education.* The Administration's request for Health is \$2,136.2 million from all accounts, with \$1.495 billion in Child Survival funds. Over half of the Child Survival request, or \$750 million, is for HIV/AIDS programs. The Education and Training request is \$425 million from all accounts, with \$262.4 million of that Development Assistance.

Fundamental to economic growth is improving people's health and education. Many developing countries' workforces will grow over the next two decades. As a result, some developing countries will have more human resources to invest in economic endeavors. But for that to happen, investments must be made today so that their economies grow, and their workers are healthy and educated.

As we are witnessing with HIV/AIDS in many developing countries, health dramatically affects a country's development prospects and must be aggressively addressed if overall development is to take place. USAID remains a global leader in HIV/AIDS prevention, care and mitigation programs. Under the guidance of the White House Office of National AIDS Policy, USAID is working closely with the Department of Health and Human Services to implement the President's Mother and Child HIV Prevention Initiative and to prepare the foundations necessary for delivery of treatment, care, and prevention, as outlined in the President's Emergency Plan for AIDS Relief. USAID will continue and strengthen support to international partnerships, including key alliances with the private sector, and the Global Fund for AIDS, Tuberculosis and Malaria.

USAID's programs in the areas of child survival, maternal health, vulnerable children, infectious diseases, family planning and reproductive health are cornerstones of U.S. foreign assistance. Our health programs save millions of lives through cost effective immunization, disease prevention, breastfeeding, nutrition, sanitation and voluntary family planning programs.

While our leadership has brought about important successes, 11 million children under the age of 5 still die every year, the vast majority of them from preventable and treatable diseases such as measles, diarrhea and pneumonia. Four out of every 10 people lack access to basic sanitation; 42 million people live with HIV/AIDS. Our effectiveness in preventing illness and pre-mature death contributes to global economic growth, poverty reduction, and both regional and domestic security.

Global markets are changing, as more developing countries shift from production based on low-wage labor to higher-end manufacturing. Doing so requires workers able to learn new skills and master new technologies. In countries where access to primary schooling remains incomplete and educational quality remains inadequate, the urgency of educational reform is increasingly apparent. Where improvements are enabling more students to finish primary school, countries need to ensure that new skills can be acquired. Taking full advantage of the global economy requires workers with the academic and technical skills to adapt technology to local conditions. While continuing to help countries make educational improvements, U.S. foreign assistance must help more successful countries maintain their upward momentum. The President's Education for Africa Initiative, which addresses a range of basic education needs, is an important element in this effort. We are working closely with the international Education for All program to provide resources for those countries who demonstrate performance and commitment to educating their children.

*Internal Conflict.*—This budget request includes \$27.7 million in Development Assistance specifically for intra-state conflict, as well as \$55 million for Transition Initiatives. Additional funding for conflict management and mitigation can come from our various sector programs, most importantly Democracy and Governance and Humanitarian Assistance.

USAID's goal is to be an agent for peaceful change, wherever and whenever possible. We cannot realistically prevent every conflict. We are, however, working hard to improve our ability to mitigate and manage conflict. Some two-thirds of the countries where we work are entering conflict, engaged in conflict, or just recovering from a conflict. The causes are complex, and there are no quick and easy solutions. Yet at a general level, conflict prevention and management entail a continuum of interventions that, done carefully, can strengthen the capacity of states to manage sources of tension. A crucial part of the solution is encouraging innovative institutions that can deal with problems—local, regional, national, and international—and resolve them peacefully.

Our Office of Transition Initiatives provides a fast and flexible response capability to address the needs of countries experiencing significant political transitions or facing critical threats to basic stability and democratic reform. Recent interventions, for example, helped Afghanistan, Burundi, East Timor, and Macedonia. New programs are being initiated in Angola, Sudan, and Sri Lanka.

Among the most important things that donors can do is develop a deeper, context-specific understanding of what drives conflict. This will require a significant investment in research and analysis among donors and in countries where conflict programs are being considered. Every major focus of our assistance has at least some bearing on conflict—from economic growth, to agriculture, to democracy and governance. We will apply a cross-sectoral, multi-disciplinary perspective when designing programs in environments of conflict. We will apply a conflict lens to each area in high-risk countries. Recognizing the complexity of conflict prevention, mitigation and management, we will coordinate closely with other USG departments and agencies, donors, and other partners.

*Humanitarian Aid and Failed States.*—The Administration's request is \$1.69 billion, including \$1.185 billion for food, \$200 million for the new Famine Fund, and \$235.5 million for disaster assistance programs. USAID is addressing the challenge of forging a comprehensive response to failed and failing states: examining the sources of failure, working to build institutional capacity, and providing critical humanitarian aid to the most vulnerable.

More than three million people lost their lives in the disasters of the 1990s. Conflict-related emergencies were the most deadly, with many hundreds of thousands of people killed in direct fighting. Millions more have been internally displaced or forced into refugee status. By the end of 2000, failed and failing states displaced 25 million people within their own countries and 12 million refugees who fled across national borders. While conflict-related disasters have dominated the funding and focus of international assistance over the last decade, natural disasters still take a tremendous toll worldwide. There were three times as many natural disasters in the 1990s as in the 1960s. Extreme weather related events are projected to increase. In addition, HIV/AIDS and other communicable diseases are on the rise in complex humanitarian emergencies, with more than 75 percent of epidemics of the 1990s occurring in conflict areas.

The United States is the world's largest humanitarian donor. We provide life-saving assistance to people in need of food, water, shelter and medicine. Coordinated by our Office of U.S. Foreign Disaster Assistance (OFDA), USAID deploys quick response teams that include experts from USAID and other USG agencies. Our Public Law 480 Title II emergency food aid has provided critical food needs in Afghanistan,

Ethiopia, Southern Africa, and other protracted emergencies. USAID is playing a lead role in providing humanitarian aid in Iraq. We are prepared, and with the support of other USG agencies and our implementing partners, we will do our utmost to avert a humanitarian crisis. Along with immediate humanitarian relief, USAID is prepared to contribute to political reform and stability.

We will continue to respond to humanitarian needs to save lives and minimize suffering. But we need to do more to reduce vulnerabilities that transform natural, socio-economic and political events into disasters. For example, the promotion of accountable governance and a free press will help defend against famine and conflict. The development of local and global capacity to anticipate and respond to emergencies will be reinforced by enhancing early warning systems that guide policies and public action in countries at risk. We will do more to link humanitarian response with longer-term development goals, in particular in health. Child immunization programs, for example, have sometimes served as a bridge to peace, with cease-fires respected even in war zones. Closer coordination with other donors will ensure our response is effective and the burden of humanitarian aid is more evenly shared.

We will work to strike a balance among political, military and humanitarian strategies. By coordinating closely with the U.S. military we can carry out relief operations even in the midst of war. At the same time, we strongly affirm the neutrality of humanitarian assistance, which should be based on assessed need. More emphasis must be placed on protecting those who receive emergency relief from violence or human rights abuse, whether refugees or internally displaced persons (IDPs). We will encourage our implementing partners to improve accountability of humanitarian aid by adopting standardized measures of effectiveness.

In his fiscal year 2004 budget, the President announced a new humanitarian Famine Fund. This is a \$200 million contingency fund for dire, unforeseen circumstances related to famine. Use of the fund will be subject to a Presidential decision and will be disbursed by USAID, under the same authority as International Disaster Assistance, to ensure timely, flexible, and effective utilization. The Famine Fund is intended to support activities for which other funding is either unavailable or inappropriate and will increase the ability of the United States to anticipate and respond to the root causes of famine.

*Mobilizing Private Foreign Aid.*—Today private sources of foreign aid account for over 50 percent of the total assistance coming from the United States. Foundations, corporations, private and voluntary organizations, colleges and universities, religious organizations, and individuals provide \$30 billion a year in aid. Given this new reality, we at USAID are expanding our partnerships with a full array of private sources and undergone a fundamental reorientation in how we relate to our traditional development partners.

Two important approaches to achieving this are: (1) our Global Development Alliance which works to mobilize resources from and foster alliances with U.S. public and private sectors in support of USAID objectives; and (2) Development Credit Authority which is an Agency mechanism to help develop credit markets and to issue partial loan guarantees, thereby mobilizing private capital for sound development projects. Examples of these partnerships are:

- In Brazil, USAID is working with private companies and NGOs to encourage low-impact logging.
- The Digital Freedom Initiative (DFI) is an outstanding example of what can be accomplished when several branches of the U.S. Government and leading American companies like Cisco and Hewlett-Packard join forces to help long-time friends like Senegal build on Senegal's already significant information and communication technology base. The DFI will also facilitate the development of information communications technology applications that enable small and medium-sized businesses to become more profitable, find new markets, and access credit and other inputs more easily. Over the life of the pilot activity, we envision that more than 350,000 small businesses will be involved.
- In Angola, USAID is cooperating with a U.S. oil company to promote business development in rural communities. The first activity planned will assist 150,000 Angolan families affected by the civil war (former soldiers and internally displaced people) by providing agricultural support and training. We view this as an important step in consolidating the recent peace.
- In Guatemala, a credit guarantee covers a portfolio of loans to small businesses, small-scale producers and cooperatives operating in the Peace Zone, a rural area of Guatemala that has suffered from political unrest, and normally is without access to commercial credit.

## OPERATING EXPENSES AND STAFFING

The President's budget request calls for us to manage a program budget of \$8.8 billion at a time when foreign aid challenges are growing increasingly complex and the environment in which we operate more dangerous. We face the triple challenge of addressing: (1) the increased strategic importance of funding key countries and programs; (2) rising costs of protecting U.S. personnel overseas; and (3) rapid retirement of many of our most experienced officers. These call on us to:

- Reform our business systems to enable innovative and streamlined business models for Washington Headquarters and our field missions to strengthen our ability to quickly respond in today's political environment.
- Strengthen our future readiness by ensuring that our Civil Servants and Foreign Service Officers have the skills and competencies needed in increasingly complex settings.
- Expand our intellectual/knowledge capital to meet future demands.
- Ensure accountability in program implementation in increasingly complicated structures.
- Recruit the right people at the right time, train and deploy them to meet our development mandate.
- Protect the safety of our staff, overseas and in Washington.

We request a total of \$604 million for our operating expenses. This amount, combined with \$49.7 million from local currency trust funds and other funding sources, will provide a total of \$653.8 million to cover the Agency's projected operating expenses.

In addition, we request \$146 million for the Capital Investment Fund (CIF) to fund Information Technology to support major systems improvements that will strengthen the Agency's ability to respond and operate effectively; develop enterprise architecture in collaboration with the Department of State to enable an integrated accounting system worldwide; and, fund new office facilities co-located on embassy compounds where the State Department will begin construction by the end of fiscal year 2003.

We also request \$35 million to ensure continued operations of the Office of the Inspector General associated with USAID's programs and personnel and \$8 million for managing credit programs.

## MANAGEMENT IMPROVEMENT

Mr. Chairman, I know that you and this Committee are very interested in our management reform efforts. I would like to update you, therefore, on our progress in this area. Meeting foreign policy and program management challenges requires a modern, flexible and well-disciplined organization. In close coordination with the President's Management Agenda, USAID is aggressively implementing an ambitious management reform program including the introduction of new business systems, processes and changes to our organizational structures.

- In conjunction with the State Department's Diplomatic Readiness Initiative, we will ensure that the Agency has adequate numbers of staff to meet present and future national security challenges. In fiscal year 2004, for example, USAID will recruit, train, and assign up to 50 additional direct hire staff overseas to address staffing gaps resulting from retirement of Foreign Service Officers.
- We are also evaluating, with the Department of State, the feasibility of more closely linking some of our business systems to achieve operating efficiencies.
- And we are working closely with the Department of State to improve our support for U.S. public diplomacy and public affairs efforts overseas, especially targeting the Muslim and Arab worlds.

I am pleased to report to the Committee that:

- We have implemented improvements to the Headquarters core accounting system and improved financial and performance reporting. We have expanded cross-servicing and outsourcing, including grant management (HHS), loan management (Riggs) and payroll (NFC).
- We have closed the Agency's material weakness on reporting and resource management, and received an unqualified audit opinion on four of five principle financial statements (and an overall qualified audit opinion for the first time.)
- We have made progress in improving employee morale and employee satisfaction with management services. For example, my second annual Agency-wide survey of all employees' opinions and attitudes, completed in November 2002, showed that 63 percent of those responding rated their morale as "good" or "outstanding." Improvements in performance by business function ranged from 20 points for human resources and information services to 37 points for financial management and procurement services. While the results indicate we have

made progress, there remains room for improvement and we still have a lot of work ahead of us.

- We are in the process of developing a comprehensive Human Capital Strategic Plan designed to address both USAID's particular needs and the President's Management Agenda requirements. The plan will address a critical need to rebuild and train our workforce, to put the right kind of people with the right skills in the right place. It will also address our need to have surge capacity to meet crises such as in Afghanistan and Iraq.
- We have piloted an automated e-procurement system and deployed e-procurement capabilities to speed the purchase of frequently used goods and services.
- We are drafting a knowledge management strategic plan to reposition the Agency as a global leader on development issues and to facilitate knowledge sharing among partners and staff. Completion is expected by mid-2003.
- We have developed a strategic budgeting model to enable us to link performance and resource allocation more efficiently.

This year we began implementing the plans for human capital, knowledge management, and strategic budgeting. We will procure new acquisition and assistance software, begin pilot testing our Phoenix financial management system overseas, and reintroduce the International Development Intern program for recruitment and training of junior Foreign Service officers.

#### IN CONCLUSION

This budget request is founded on three precepts:

- Foreign aid and the Agency for International Development are essential elements of our country's national security apparatus.
- Our programs are evolving to meet the challenges of the new millennium.
- We are pressing ahead with the management reforms begun in 2001 and transforming USAID into an organization of excellence.

Mr. Chairman, I would like to assure Congress that USAID's budget request for fiscal year 2004 rests on a solid foundation of professional analysis and a strong commitment to performance and management reform. We know it is impossible to satisfy everyone who looks to us to address every problem that arises. We have spent many hours trying to determine the best use for our resources and have had to make many painful choices. I hope my remarks today have been helpful in explaining our priorities, and I look forward to working with you over the coming year as we move our foreign policy agenda forward.

Thank you.

Senator MCCONNELL. As I indicated earlier, that will be made part of the record.

Since we have a number of Senators here, I am not going to take my full 5 minutes, but I do want to begin by focusing on another part of the world that has been very much in the news this past week—Burma. I introduced yesterday along with Senator Feinstein and a number of co-sponsors, including my friend and colleague Senator Leahy, a bill that would impose sanctions on Burma, including a ban on exports and restriction on visas and the like.

I have had an opportunity to speak with Deputy Secretary of State Rich Armitage, Deputy Secretary of Defense Paul Wolfowitz, and National Security Adviser Condoleezza Rice about the situation in Burma and I am hopeful that the administration will support the bill and that we can get it through Congress in short order.

But I want to focus on Burma and USAID. Last year, we put \$1 million in our budget for HIV/AIDS programs in Burma with the full appreciation that the military regime that runs that country has no interest in its people and with the condition that this relief would be administered through international nongovernmental organizations in consultation with Burmese democracy leader Aung San Suu Kyi.

I am curious, given the fact that Suu Kyi has, for most of the last 13 years, been under house arrest, how USAID and its con-

tractor have been able to consult with her in coordinating the HIV/AIDS programs in Burma.

Mr. NATSIOS. Senator, I do not know specifically our conversation with her, but I will get back to you on the question. I do know that we have initiated the HIV/AIDS program through the NGO community. There is also \$500,000 I believe the Congress has appropriated in the budget for 2003 for democracy programs, which we were also supposed to and will consult with her as to how that money should be spent.

We are all appalled by what has happened in the last few weeks. It appears that the regime has moved 10 years back in time. She is, as you know, under much more constrained circumstances. She appears to have been physically harmed in the latest attacks and we are extremely disturbed by the course of events. So we will work very closely with your staff to see to it that we structure our program, however modest it may be, along the lines of what you have suggested in your remarks.

Senator MCCONNELL. Well, we are hoping the U.N. Special Envoy Mr. Razali Ismael will be able to see her tomorrow when he is in the country. Somebody needs to see her to verify that she is still alive and well, given that she has been attacked.

How do you provide any kind of oversight for the use of U.S. foreign assistance in Burma?

Mr. NATSIOS. We have opened a regional office in Bangkok, Thailand, because we are doing increasing programs in countries in which we cannot have an AID presence. So that new office is to provide oversight for the programs we run in Laos and the programs that we run, limited ones, in Burma.

Senator MCCONNELL. Given the difficulty of carrying out any of these functions—since you have to do it by working around and not through the regime—could USAID handle an increase in HIV/AIDS funding?

Mr. NATSIOS. Yes, we could.

Senator MCCONNELL. You could.

Mr. NATSIOS. We work in countries in the middle of civil wars, with extraordinarily repressive regimes. Sudan, North Korea we have worked in before. I can give you a list of countries where we—

Senator MCCONNELL. Does the regime actively interfere with the NGO's inside Burma trying to help on this issue?

Mr. NATSIOS. I think in the health sector they do not. It depends on whether or not the regime believes that the activities are threatening them in a direct sense, and health is an area where the programs tend to not be as threatening as some other kinds of programs.

Senator MCCONNELL. Well, I would be interested in any thoughts you might have before we start drafting this year's foreign operations appropriations bill as to how we might enhance the opportunity to consult with Suu Kyi and the NGO's to improve the situation in Burma.

Mr. NATSIOS. We will get back to you, Senator, on that.

Senator MCCONNELL. Okay. I am going to cut short my round and then go to Senator Leahy and Senator DeWine.

Senator LEAHY. Thank you. Thank you, Mr. Chairman.



Incidentally, Mr. Natsios, I want to call your attention to the efforts of Barbara Best. She has been working with my staff up in Vermont on the so-called LakeNet Project. It is a good project. I would invite you up to see it some time. I invite you up, Mr. Chairman, to see it. The Lake Champlain area is very pretty.

Mr. Natsios, let me read you an article from a magazine written recently. I quote it:

The blithe assumptions of the Iraq War's Pentagon architects that a grateful Iraqi Nation, with a little help from American know-how and Iraqi oil cash, would quickly pick itself up, dust itself off, and start all over again are as shattered as the buildings that used to house Saddam Hussein's favorite restaurants. In Baghdad and many other Iraqi cities and towns, civic society has degenerated into a Hobbesian state of nature. Despite the heroic efforts of a scattered minority of mid-level Iraqi civil servants, the services that make urban life viable are functioning, at best, erratically. More often, they do not function at all. One of the few things that thrives now in Baghdad is a deepening distrust and anger toward the United States.

In Iraq, what is USAID's role? And how do you feel about—this was from the New Yorker magazine, incidentally. How do you feel about that criticism? Is it accurate?

Mr. NATSIOS. First, I would say that this is a time, an event in progress, which is to say events change very rapidly. So what was true a week after the war ended is no longer true now.

Senator LEAHY. Let us just talk about today.

Mr. NATSIOS. Okay.

Senator LEAHY. How many people do you have there today?

Mr. NATSIOS. We have 100 people between the DART team, the Disaster Assistance Response Team from the Humanitarian Relief Bureau, and we have 27 people in the USAID mission, headed by Lew Lucke, a career foreign service officer we recalled from retirement who was the mission director in Jordan, speaks Arabic, knows the Arab world very well.

Senator LEAHY. Is he living in Baghdad?

Mr. NATSIOS. He is in Baghdad right now.

Senator LEAHY. He is not living in Kuwait?

Mr. NATSIOS. He was in Kuwait before the war started and it was difficult the first month because we did not have electricity, running water, et cetera, in the place in which we worked. I think we just moved this week into a convention center facility, which is quite good and has all of the conveniences we need to keep our staff functional. So the staff, more and more of them are moving up to Baghdad now.

Senator LEAHY. Would it be more—what would you anticipate the number of USAID workers be 2 months from now?

Mr. NATSIOS. The same number. We are at what we need to do. We are transitioning, though, out of the humanitarian relief mode because we did not experience a humanitarian disaster. We expected three things would happen that did not happen, thank heavens. We expected that Saddam would turn, in his fury on the Kurds, the Shias in the south, the Turkmen, other ethnic groups that he hates and that he has visited terrible things on in the past. He did not do that.

Two, we were afraid—he could consider blowing up the large dams and flooding the country, which he did during the Iraq-Iran War. Third, we were afraid there would be large-scale population

movements, internally displaced and refugees. There were not. There were almost no population movements.

So there were pockets of need. We answered those and we have moved into a transition phase. So the Office of Transition Initiatives has taken the leadership now of the DART team and we will move into public employment programs, which we have begun in Baghdad neighborhoods now. Four city councils have been set up in Baghdad—or village councils, I should say, in neighborhoods, that have been elected or chosen by the people in the village, in the neighborhood, and they are beginning to make decisions. We are providing small grants for improvements in these neighborhoods.

In Umm Qasr, the port, we just opened our first Internet cafe. They do not have the Internet, they did not until now. I thought it was sort of a mundane thing. It was a very emotional thing, because we took people from the mosque and the new city council and showed them what the Internet was. Several people were stunned and broke down during the demonstration because they did not know this thing—they heard rumors of it; they did not know it really existed. They said: We have been cut off all these years to this.

Senator LEAHY. I think that is an extremely positive thing. I was a little bit troubled. Maybe I misunderstood what you said earlier. I agree with you, I am delighted that he did not lash out at the Kurds while we were in there and that all the weapons he may or may not have had, that none of them were used against our troops.

But you had to anticipate that there was going to be real problems in a number of the cities, just watching CNN at night and seeing the buildings being bombed, the electricity being cut off, water being cut off. Seeing the news about the looting, the destruction at the hospitals—apparently we did put tanks around the oil ministry, but the other places—I still do not have a very comfortable feeling about what we are doing.

Your director is in Baghdad? He is not in Kuwait?

Mr. NATSIOS. No, no, no.

Senator LEAHY. He does not go back there at night?

Mr. NATSIOS. No, no, no. He comes—part of our procurement staff and our technical staff that does the paperwork is still in Kuwait because there is infrastructure—

Senator LEAHY. That does not bother me.

Mr. NATSIOS. The director, in fact we talked to him yesterday. He is in Baghdad. He has been in Baghdad for the last week, I believe.

Senator LEAHY. For a week?

Mr. NATSIOS. Well, he was back here to his daughter's graduation, I think.

Senator LEAHY. But he is there now?

Mr. NATSIOS. Right.

Senator LEAHY. So you have got somebody on the ground. What is his security when he goes out? Can he move around in these areas?

Mr. NATSIOS. AID has a set of armored vehicles that we use around the world. We keep them in a warehouse and we move them around wherever we need them. We used them in Bosnia and Kosovo. We used them in East Timor. We are using them here. So we have our own security, which no other, other than the military,

no other group has, and we do use those, particularly the DART team.

But let me just answer the question you asked, Senator. In terms of water and electricity, which are critical functions, this is not a poor society. This is potentially a very wealthy society, given they have water. It is an educated society or was very educated in the 1980s. It has deteriorated since then.

Basically, the infrastructure is there; it simply has not been maintained for 20 years because the money has been put elsewhere. Right now in Iraq, other than Baghdad there is more electrical power and better water than there has been since the mid-1980s. We did this only in two months. When I say "we", I would like to say we did it all ourselves. We did it with the British military, the NGO community, the UN agencies. AID paid for a lot of it and so did DFD, the British aid agency. The civil affairs units have been very helpful and the rest have been very helpful.

But right now in Basra, for example, the second largest city, they have had 24 hours electrical service now for 3 weeks. They have never had that since before the first Gulf war. The water system is in far better shape. Now, is it what it should be? No. But it is far better than it has been since the Gulf war.

So things are actually improving. And I have to give credit also to some of the Iraqis. We went to some cities in the south and the Iraqi engineer said that he would not let us fix the water system: We know how to fix it; we're technically competent; just give us the parts. We brought the parts and we watched them. They fixed the water system within 24 hours.

In villages that had not had water in 10 years, Shia villages, that because they had been in revolt were being punished, they said we physically were not allowed to repair them. They did it themselves with our parts.

Our doctors—I thought the doctors would be underskilled, but one of our very senior medical doctors said: These guys are as skilled as Western European or American doctors. In fact, we do not need even to train them. They are highly skilled technically. Just they have no equipment, the hospitals are in terrible condition for many years except for the Baathist Party members' hospitals, and what we need to do is bring the other hospitals in the Shia and Kurdish areas up to the same standard as Baghdad's hospitals.

Baghdad still has problems with electrical power, but we are now at 70 percent of what we were in terms of electrical levels from before the war, and that is a dramatic increase over 2 weeks ago.

Senator LEAHY. My time is up and I will submit my other questions for the record, but especially a question I want to give a lot of attention to. In the supplemental, of the \$2.4 billion we put in for Iraqi relief and reconstruction, we included assistance to Iraqi civilians who suffered losses as a result of military operations. That is something we can do and please have your staff work with mine about it.

Mr. Chairman, I went way over time. I appreciate your courtesy. Senator MCCONNELL. Thank you, Senator Leahy.

OPENING STATEMENT OF SENATOR MIKE DE WINE

Senator DEWINE. Thank you, Mr. Chairman.

Administrator, thank you very much for being with us. I have two questions. They are obviously related, but they are separate. One is I want to congratulate you and congratulate the administration for putting emphasis once again on agriculture development, very, very important. If you look at where your numbers are in 2002 and 2003, very positive.

I congratulate also this subcommittee—I was not on the subcommittee then, so I can say that, I guess—in the money that was appropriated. Our numbers that you have proposed in 2004 are down just a little bit, but it is still pretty good numbers.

I would like for you to address your vision for agriculture development and where that fits in in our whole overall foreign aid program.

Second, I am concerned about what is the reports and what is going on in Africa in regard to the famine. I am pleased to see that the administration has requested money for the emergency famine fund, but I wonder if this is going to be enough and I wonder if you can tell us where you think we are going there and what the rest of the international community is doing.

Mr. NATSIOS. With respect to agriculture, Senator, I do appreciate your bringing it up because this is one of my and the President's and Secretary Powell's big initiatives. The President has announced this. We announced it, one, at the World Food Summit in June of last year, and the President has made subsequent announcements at the G-8 on agricultural development to end hunger.

We need to understand there is a relationship between economic growth in most of these countries and food insecurity and poverty. Most of the poorest people in the world live in rural areas and they are farmers or herders. If you do not deal with agriculture, you cannot deal with poverty.

Why is it that the Asia giants like Taiwan and South Korea and Thailand have much the best distribution of wealth in the world? Why does Latin America have the worst distribution of wealth in the world? The reason is because of the green revolution in Asia, which AID in the mid-1960—with the World Bank and the Rockefeller Foundation—orchestrated. This effort included improving seed varieties and introducing new technologies in agriculture, and investing in the rural areas. In Latin America, they did not invest in the rural areas and as a result of that there is a gross imbalance between the rural areas in Latin America and the cities, like two different countries. That is not true in Asia.

I just want to also point out that since 1980 we have calculated in the developing world that 50 percent of the improvement in productivity in agriculture is the result of improved seed technology. Our research scientists have produced improved seed that has dramatically revolutionized agriculture in many third world countries.

We believe that investing heavily in these seed technologies can make great progress, not the end to all problems, because you have to connect production to markets—you know, if you grow more food and the prices are wrong, farmers are not going to grow more food in the future. One of the causes of the complex food emergency that we are experiencing in Ethiopia is bad economic policies in the region—restrictions on trade, for example. Farmers grew more food

2 years ago, prices collapsed, they could not sell their food, and as a result many of them were in deep financial trouble because they had borrowed money to buy seed and fertilizer. They said: We are not doing this again; we are going to only grow enough food to survive; we are not growing any surpluses.

That is when we had the crop failures. It was not just because of drought. It was also because of economic policies and lack of free trade in East Africa.

So we believe investing in these technologies can make a huge difference, and we do appreciate the support of the committee between 2002 and 2003. There were constraints on us for 2004, but agriculture is very, very important.

I might also add that there is a perception that it is only the large lumber companies that are destroying the rain forests, the Congo rain forest for example or the Amazon, the big companies. That is not the case. Slash-and-burn agriculture is widely used in the developing world by farmers who have completely exhausted the nutrients in the soil because they have no fertilizer, no improved seeds, and they are so poor they simply burn down more forest to grow food.

It is a direct connection between sustainable agricultural development and sustainable environmental programs. They are connected to each other, and if you get peasants to be more prosperous and their incomes go up and you do the program right, you can do a lot for the protection of environmental diversity in the developing world.

With respect to famine in Africa, we are facing a catastrophic situation in Zimbabwe. That is entirely manmade. It is made by Robert Mugabe, who leads a predatory, tyrannical, and corrupt Government that is wreaking havoc on Zimbabwean society. That is a manmade event. There was a drought, but in fact even with the drought there did not have to be any food insecurity in that country at all because half of the agricultural system was irrigated. It was large farms, it was irrigated, and the irrigation reservoirs were full. But because he confiscated the land and did not have anybody competent to run the farms, the farms did not produce any food. They would have produced food even in a drought because of the irrigation systems.

Now the abuses in Zimbabwe are getting so horrendous that society is beginning to break down, and there is hyperinflation on top of it developing.

The other place we face an emergency is in Ethiopia. The U.S. Government began last September stepping up to the plate to what was a fast onset famine, which normally does not take place. Usually we have advance warning. The Ethiopian Government did not get it and we did not get it and the international agencies did not get it.

Why is that? Because we did not realize to what degree the Ethiopian people were vulnerable from the last drought and famine in 1999. They did not recover from it. They were impoverished by it and as a result they were right on the edge of catastrophe when this latest crop failure took place because of the drought in the eastern part of the country.

We have pledged now 808,000 metric tons of food to Ethiopia. Walter Kansteiner was with Prime Minister Melis yesterday and he said there would be millions dead now but for the intervention of the United States. Fifty-five percent of all the food that went in this calendar year came from the U.S. Government, 55 percent.

I do not want to go into the other donors. The British have been extremely generous. Between the British and the United States, we are leading the response. It is not just food, because in a complex food emergency you also have to immunize the kids because a lot of kids get malnourished and die of measles. Measles epidemics are one of the most severe challenges we face in famines, because when the human body becomes malnourished the immune system breaks down and you die of things like measles that most kids would not die from.

So we have got to do immunization campaigns. Water has deteriorated because of the drought. So there are a set of non-food interventions that we are now undertaking. There is a Disaster Assistance Response Team in the country right now. They will return next week and we will continue to step up the response.

I want to add, Senator, if it were not for you and other Members of the Senate adding funds for food aid into the budget, we would not have the resources we need. I want to thank the Senate for at exactly the right time giving us the resources we need to increase our pledges to Ethiopia. I promised Prime Minister Melis in January when I was there we would not abandon the country and we have not done that. We have been the leaders, and I think there are comments in Europe about this now, about the fact the United States is there and continental Europe is not.

Senator DEWINE. Thank you.

Senator MCCONNELL. Senator Landrieu.

#### OPENING STATEMENT OF SENATOR MARY L. LANDRIEU

Senator LANDRIEU. Thank you, Mr. Chairman.

Director Natsios, I appreciate the comments. Could you be a little bit more specific about the current status of women both in Afghanistan and Iraq? I understand that this is a particularly difficult and complex situation, but one that, as you can imagine, is crucial to the development of any democracy. You touched on it in your statement, but could you take a moment to just elaborate further on your focus and goals and what progress we are making?

Mr. NATSIOS. With respect to Afghanistan, as you know, the Taliban treated women in a deplorable way. Our goal has been to raise the status of women within Afghan society, though I have to tell you it is not us who are raising. They are raising themselves. We are simply assisting the process. We have funded a series of women-run newspapers in—not Baghdad—in Kabul that connect the professional women of the city together, and we are hoping to extend this to other areas of the country.

The second thing is, the first ministry we rebuilt was the women's ministry. The roof had been blown off the building and we put a new roof on and brought office equipment in so that they could have a functioning ministry. There is a new human rights commission which is led by one of the great women of the country, a doctor, and she asked for our assistance in staffing and we have pro-

vided technical assistance to her commission on the human rights issues in Afghanistan.

The third point I would make is the way in which the status of women can be improved in Afghanistan as well as many other countries is through the education system. We made a deliberate decision early on to invest heavily in educational development. Two-thirds of the teachers in Afghanistan before the Taliban were women. So we began a very aggressive campaign to train teachers, many of whom only were literate. They were the literate people in the village. They were not trained as teachers. Many of them do not have college degrees.

So we trained them in how you organize a lesson plan and how you use the books we printed. We printed books, half in Dari, half in Pashto, the two major languages, for all the major subjects from grades 1 through 12. We have printed already 15 million for the back-to-school campaign last year. They were so successful, the minister of education asked us to make this the permanent curriculum of the country and they have become; and to print another 15 million, and they were printed recently and they are on a ship now and will arrive shortly for school.

There were very few girls in school prior to the Taliban, so what we did was we just allowed kids to go back to school and then found out where the rates of girl returns were the lowest and we have provided a vegetable oil subsidy for families who regularly send their girls to school. We have got the rate up to about a third now. In other words, it is not 50-50, what it should be; it is two-thirds, one-third, but it is better than zero, which is what it was before in many years.

That subsidy of vegetable oil is nutritionally useful. It is fat content for the diet. But it is on top of their regular ration, and in villages that are agricultural people love it. It is very valuable. So we are noticing that this incentive is having the effect of making sure the girls stay in school, which is very useful.

Senator LANDRIEU. I appreciate that. Comment really quickly about Iraq, if you would?

Mr. NATSIOS. Women had a much higher status in Iraq. Iraq is probably the most secularized country in the region. This was an urbanized society. Seventy percent of the people live in cities. It was one of the most sophisticated and educated Arab societies prior to the mid-1980s when the Iraq-Iran War started the downward slide of the country.

It actually had a much higher rate of female literacy. The rate of literacy now has dropped dramatically in the last 15 years for women in high school. There are girls in grammar school, there are not in high school. I do not remember the exact statistics, but I was shocked at how low the high school girl rate of participation was.

Our intention is to have an aggressive campaign. A lot of the money we will be spending will be rebuilding, we expect, rebuilding or reconstructing about 6,000 schools. We have given grants to UNICEF to do the curriculum. There were some concerns we were writing all of the textbooks at AID.

But there is going to be an effort to make sure that there is an equitable distribution of seats in those classrooms for girls, because that is an important part of society. There is a problem in Baghdad

right now because security in some neighborhoods, where parents are not sending their girls because they have been abducted by some of these criminal gangs, and so the rates have gone down in Baghdad. But we are getting them up, we are getting them back up, in the areas that are now secure.

Senator LANDRIEU. Well, I appreciate those comments, because there are a number of us, and not just the women Senators, although we remain very focused on this, who are committed to the idea that one of the great and most substantial long-term development improvements we can make is providing an excellent education both for boys and for girls. We must try to get children and people back into education, and particularly focus on the women as students and teachers. So we appreciate that.

Mr. Chairman, if I could make just one comment, not a question, because my time is out. But Mr. Natsios, please review the work that some of us are doing to establish a permanent trust fund for the oil revenues in Iraq. This is important if we wish to communicate in a very concrete way that Americans, and hopefully our coalition partners, understand that this resource belongs to the people of Iraq. We want to be part of helping establish a framework under which those resources can be used to build this country out of the chaotic situation to a very bright future.

There are many different models, none of which is perfect. Alaska has a good model; Louisiana has a smaller, different, but effective one; Texas has had a model; Kuwait has yet a different model. There are models around the world that could be looked at.

The chairman of this committee has indicated an interest in this and we are working on the exact mechanism, but I would appreciate your consideration of that idea. Any comments briefly you might have?

Mr. NATSIOS. If I could just respond to that, Senator. We share completely your objective and the objective of other Senators on the education front, not just in Afghanistan or Iraq but around the world. In fact, we have increased the education budget, primary education, by 100 percent in the last 2 years with your support. We do appreciate that.

But AID got out of the education business and out of the agriculture business in the 1990s and now that money is beginning to increase for those two areas. We know, for example, that among farmers who are women in Africa that a sixth grade education with no additional inputs will dramatically increase agricultural productivity. So education has a lot of side effects. It also has an effect on child mortality rates, has an effect on lots of things.

So it is very desirable, very desirable that we invest more money, particularly in primary, but also in high school education.

With respect to the trust fund, the person in charge of reconstructing Iraq for the United States is Ambassador Bremer. We are very comfortable having him there because in every country in the world in which we have an AID mission we report to an ambassador and Jerry Bremer was a career officer and head of Kissinger Associates, and he is a very good manager.

He understands AID. One of his division directors is Lew Lucke, our mission director. Another is headed by Peter McPherson, who was the AID Administrator from 1981 to 1987. So Dr. McPherson



knows AID well. He is a former Deputy Secretary of Treasury and one of my best friends in this business, and he is the head of the economics section.

So we have people who are advising——

Senator McCONNELL. Is he over there now?

Mr. NATSIOS. He is there now.

Senator McCONNELL. Did he resign as President of Michigan State?

Mr. NATSIOS. He took a leave of absence from Michigan State until September. We are hoping it lasts beyond September because we are so pleased he is there.

But the trust fund is something that we not only endorse, I think there is comment on the idea in the resolution that went through the United Nations on reconstructing Iraq. The Pentagon is in charge of creating that and if they want our help in anything we will certainly give it to them.

But Ambassador Bremer is in charge. We report to him. We are very comfortable with that. We are very happy with the way things are moving in terms of the structure, organizational structure. He is providing a lot of leadership.

Senator LANDRIEU. Thank you.

Senator McCONNELL. Thank you, Senator Landrieu.

Senator Bond.

#### OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you very much, Mr. Chairman.

Mr. Administrator, I would like to go back to follow the line of questions that Senator DeWine asked. I very much appreciated your comments on agriculture. We have talked about this many times. I believe the old saying that a well-fed person has many problems, but a hungry person has only one.

With all the problems you have got on your plate, hunger is still one that we are very much concerned about, and successful agriculture development. Just to share with you, a couple weeks ago I had in my office a cotton farmer from South Africa, Mr. T.J. Butalesi. He said he had spent 40 years growing cotton with hard work and poverty. He said 3 years ago, despite Earth First and Greenpeace, he planted his new genetically improved cotton seed. He has more than doubled his yield. Instead of spraying pesticides 10 times, he has sprayed 2 times. He said he is now working smart rather than hard. He just built a new brick house and his neighbors think he is the best farmer in the region.

I very much appreciated your coming to St. Louis last year to visit the Danforth Plant Science Center. As I think we discussed, there they are working with Ugandan scientists, the International Institute of Tropical Agrobiology and NGO's to develop an exciting new approach to block out the Africa cassava mosaic virus which is wiping out cassava crops, a staple in most African diet.

I believe that you are working field trials with this. How is that project going? What outcome do you expect to have from it?

Mr. NATSIOS. I agree with everything you said, Senator. I want to tell you, one of the highlights of my domestic trips was the trip to the Danforth Center. It was quite an extraordinary place and we are very pleased it exists and they can be partners with us.

During the Johannesburg Summit, where this whole issue of GMO grain came up for the first time, I had dinner with the top GMO scientists in the universities of South Africa. These are South African scientists now, developing seed for South Africa and African farmers. It was extraordinary.

One of the women scientists was telling me they are developing a new seed variety using genetic material that does not require almost any water. They grow almost in rock or desert conditions. They are going to put that into corn and it could deal with one of the recurring problems we have in Africa, which is drought.

I said: I want to know as soon as you have research in from the trials on it whether this is going to be the success that you think. She was so excited about it. She has been sending me some of the material on it. We are helping to support that research through the suggestions you have made in the budget, which we strongly support continuing.

So they have extended this GMO material to white corn—white maize—which we do not grow much of in the United States, but which is a staple crop in South Africa. In some areas the farmers have gone from \$1,000 per capita income to \$10,000 because of these improved varieties. It is not just in cotton; it is also in maize that this is developing. It is quite extraordinary.

Senator BOND. I very much appreciate the strong stand you have taken in promoting improved food and agriculture through the use of modern biotechnology, and I believe that the President has stated very forcefully his policy. I thought you might—I would like to get an update. I heard you were rather clear in your warnings to certain African officials who were allowing Eurosclerosis, the European Luddites, to prevent the use of the fine genetically improved food that all of us here eat every day. They were refusing to feed that to the hungry people in their country.

I think you made—did you make some fairly clear warnings to them? What is happening with that? How are we doing with the Eurosclerosis?

Mr. NATSIOS. I will try to be a diplomat here, Senator. You have a little bit more freedom than I do to characterize things clearly.

People were shocked when I said, the President eats and all of us eat our cereal in the morning and it is GMO and it has been for 7 years, especially if you eat Corn Flakes. And they looked at me, and I said: My children eat it, and there has not been one lawsuit in the United States, and we are a very litigious society, over anything, any health risks from GMO corn in the United States.

It really is outrageous what has happened. I am so disturbed after 7 years, 7 years of distributing this food aid in countries around the world, that the groups that cause the trouble, these groups that you mentioned earlier as well as others, did it in the middle of a drought that was turning into a famine, in the middle of the Johannesburg Summit. They deliberately chose the middle of a food emergency to do it. I mean, 7 years we have been distributing it and no one said anything. And I mean, it was not exactly a secret that we have been using GMO as a central part of our agriculture for years.

This is a trade issue. It is not a scientific issue. It is not an environmental issue. In fact, it is damaging the environment not to

allow this technology to deal with these environmental problems in the developing world. Most countries in Africa cannot afford all these expensive inputs. This is one way of them dealing with pesticides, herbicides, and fertilizers that they cannot afford. This is why they cannot get their productivity up, but they can through improved varieties and through scientific research of the kind that we have been investing in.

It is the potential. It is not going to solve all the problems because, once again, you got to connect farmers to markets, you have got to train people. There are other things you have to do. But scientific research and technology is the answer to part of our problem in agriculture in the developing world. I believe genetic research, GMO research, can be one of the great boons to agricultural development and to the alleviation of poverty in the developing world, particularly in Central Asia and in Africa, where the greatest poverty is in the rural areas.

Senator BOND. Thank you very much, Mr. Administrator. That is excellent.

I would just conclude, Mr. Chairman, by saying I thought somebody from the U.S. Government warned leaders in the African country if they refuse to feed their people the kind of food that we eat every day because it is genetically modified that they would haul them up before the World Court on genocide charges. I do not know who that was.

Mr. NATSIOS. Well, I do not repeat some things I say.

Senator BOND. I do not remember who that was, but I thought that was a nice subtle touch.

Senator McCONNELL. It was indeed.

Senator Burns, top that.

#### OPENING STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. That is pretty easy.

Thank you very much, Mr. Chairman. Director, thank you for coming today.

I want to not follow up on what Senator Bond said because in Montana we have some of the foremost plant breeders and livestock growers that can increase gene pools around the world. I have a young man coming from Georgia, the Republic of Georgia, to the United States this spring. In fact, he will be in to see me not too long from now. We are talking about increased agricultural production in Georgia, which they have every right to expect that country to produce. He is the minister of agriculture and he is very forward-looking, but he is running into some of the same problems that we ran into down in Africa.

But I want to ask you about another subject. In the rebuilding of the infrastructure in Iraq, there are a couple of things, and you hit upon one: how surprised they were about the Internet. We know right now there are only about three phones per every 100 citizens in Iraq. There is no wireless system, and for all those systems and the infrastructure—there are very few computers, of course.

We know that the infrastructure was formerly mostly controlled by the military and the Government in power. The Government

controlled it and then whenever we took out their communications systems we also took out the core of the civilian systems also.

Right now about two-thirds of the 800,000 lines for the hard-wired infrastructure are there in working order. They only can talk to people in their local exchanges. There are hardly any long distance calls at all that are not wireless.

So I am of the understanding that we cannot be very successful in what we want to do over there unless we have got a very, very strong communications system. That is part of the building blocks, no matter what we do in agriculture. We know that Iraqis have the ability to feed themselves. I mean, they have some very good land. They have two great rivers that can provide irrigation and they also have a soil base that is probably as good as any in the Middle East. It is a lot better than you'll find in Jordan and would compare to the strongest of the Middle East countries. We know something of their production.

I just want to make a point here to you, although I will be talking to the people who are in charge. Once we start building wireless systems and that need is probably immediate—the systems should be interoperable; the systems should be the newest of wireless technology that offers broadband access to the world Internet. I feel there has not been a priority set on the communications system in Iraq. In other words we not only want to talk within Baghdad, but we want long distance from the green line to Basra.

I would ask you to remind those that you help when they come to you to request aid, that we take a good, strong look at what we are building, at how fast we are building it, and at the importance of the communications system. That will be the overriding infrastructure other than ground transportation, which is pretty well taken care of. We were pretty careful about that.

But I really believe, Mr. Director, and this is most important, there is no sense starting with an old technology. We are trying to get away from them towards something that we could apply that would give us high-speed and move a lot of information very, very quickly.

As you have looked at that country, do you have any thoughts on what is there and where we should be going?

Mr. NATSIOS. Senator, this is a very important question because communications is a serious problem in Iraq right now for us and for the NGO community, our contractors, U.N. agencies, and for the ministries themselves. Many of them cannot call the cities from the central ministries in Baghdad. We are looking at the issue and we will be putting together a set of recommendations very shortly which I think you will be pleased with. I do not have anything to announce yet because we are still researching the issue.

There is a provision within the Bechtel contract that was written when we wrote it in January—it was not the Bechtel contract; it was the work, the RFP that was bid—that calls for reconstruction of the existing infrastructure. So there are two questions here. One is the land lines, many of which are down and need to be repaired. Bechtel will be doing that. That is in their contract. There is money aside for doing it and they have been ordered to do it. So that is already part of the plan.

The question is on the wireless part of this and that can also be covered in the Bechtel contract. I am not sure that is how we are going to do it. We have not looked through that entirely at this point. But it is clear there is an issue. It has been brought to our attention and we will be acting on it, and we will get back to you about the details of that.

Senator BURNS. I would certainly appreciate that. They have hardly any fiber at all that carries their long distance wired lines or trunks, even in the urban areas. So that is one of my things. It applies not only to the way we do agriculture, but it also does what you want to do. In addition, it plays a huge role in education, for schools in remote areas, especially in the use of wireless technologies for distance learning.

We have the technology to move fairly rapidly in the rebuilding of our education infrastructure, which is what we are going to do. So I appreciate your answer on that. I appreciate your concern. I look forward to visiting with you on some of those systems, because I take a very strong interest in that. We come from a remote State, so we know how large a role that communications plays in the economic development of our States.

I thank the chairman. I do not serve on this particular Appropriations subcommittee, but he did tell me that I could make this little statement and I appreciate that very much.

Senator MCCONNELL. Glad to have you here, Senator Burns.

Let me just mention, this hearing is going to end no later than 3:30. It may end sooner, but we will leave the record open for whatever questions any members want to add.

Let me take another round here, Mr. Natsios. Shifting to the place the President just left—the Middle East—and the road map between the Palestinians and the Israelis, how will USAID be utilized to support the road map? What has USAID been able to do there in the past, and how you are able to implement and monitor programs, particularly on the Palestinian side, to ensure that funds do not end up in the hands of those who are engaged in homicide bombings?

Mr. NATSIOS. Thank you, Senator. We of course have a heavy presence in the West Bank and Gaza, but since the second intifada began we have altered our program and much of it now is humanitarian assistance because we simply cannot continue under these circumstances some of the programs, although I have to tell you an interesting story. Two days before I was sworn in as Administrator, I met the foreign minister of Israel at a reception, Mr. Peres, in Washington. The first thing he said before I could introduce myself was: I know you are Andrew Natsios, you are about to be sworn in as the Administrator; do not touch the water programs, please. I said: Yes, sir.

I met him later at a dinner in the evening. He said exactly the same thing. He said: I know I said this to you once before. Let me say it to you again: Do not touch the water programs. I said: Yes, sir.

There is common interest in some things that cut across the conflict and the acrimony and water is one of them because it is so scarce. The water programs AID was running are these huge water purification plants that will rationalize the water system in the

West Bank and Gaza. But, of course, they all get their water from the same place Israel does, which is the underground aquifers or from desalinization plants, which we are also constructing I think one of in Gaza.

So to the extent that we have been allowed by the violence, we have continued these important programs. We do not go through the PA for any of the work we do. We do not transfer any money. The one thing we are doing now——

Senator MCCONNELL. It is 100 percent NGO, right?

Mr. NATSIOS. That is correct.

There is one project we are working on now, and this was at the request of both the Israeli and the Palestinian Authority, and that involves providing the PA finance ministry with modern systems of accounting and accountability and auditing to ensure in the future that they have the skill set to monitor how money is spent by some of the ministries. We have a major international accounting firm that is providing this training, and it is connected to the whole question of revenues being collected by the PA and by the Israeli Government.

So there was an agreement struck and AID is playing a role in making—in implementing one of the few agreements that was made prior to this past week. It was at a mundane level, but both sides agreed to it, we were asked to do it, we have done it, and it is working, I am told, quite well. It is capacity building. There is no money changing hands in terms of being moved, but there is a training program, a capacity building program, which we believe will be very useful over the longer term.

We are looking to the future and we have been asked to begin gearing up for changes that will will unfold due to advances in the peace process. We believe that the President has begun a process that is going to be a success and AID needs to be ready as soon as an agreement is reached to give legs to the peace accords from our perspective.

We have a limited role in this, but we do have a role, and we have to act quickly because the longer you wait the more risk there is in terms of the peace settlement coming undone. This happens in conflicts all over the world, where if we do not act quickly following a peace settlement things deteriorate.

Senator MCCONNELL. So you are not expected to be asked to do anything different; just more of the same and quicker?

Mr. NATSIOS. Well, we may be asked. There may be things in the peace accord, Senator, that are different than they have been in the past. So I do not want to presume what we will be doing because it may be that they actually negotiate some of these things.

Senator MCCONNELL. Senator DeWine.

Mr. NATSIOS. I just want to say, I work for Colin Powell. I go to the morning meeting every morning at 8:30, and this is an issue of intense interest to him, Rich Armitage, my good friend, and Secretary Grossman. And we do what they ask us to, enthusiastically and energetically, and we will continue to do that.

Senator MCCONNELL. Well, I have a number of other questions about various parts of the world, but I am going to restrain myself. Let me end by telling you I ran into a young friend of mine in the airport in Louisville on the way back to Washington last Sunday.

He was on his way to Bosnia. He works for the World Bank, and he was extremely complimentary of your efforts, the efforts of your agency in Bosnia. He was extremely complimentary of the USAID effort and I thought that I would pass that along to you because you probably do not hear as many compliments as you do criticisms from Members of Congress.

Mr. NATSIOS. Senator, if you could get me his name so I can take him out to dinner next time I visit Bosnia, I would appreciate it.

Senator McCONNELL. I will do that.

We thank you very much for being here today and we will look forward to drafting your budget for next year.

Mr. NATSIOS. Thank you, Senator, for your support. We do appreciate it.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator McCONNELL. There will be some additional questions which will be submitted for your response in the record.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

#### QUESTIONS SUBMITTED BY SENATOR MITCH McCONNELL

##### OTHER DONORS IN AFGHANISTAN

*Question.* Have contributions from other donors kept pace with needs? What have Middle Eastern countries provided?

*Answer.* Like the United States, a number of donors have disbursed more than they pledged, including the United Kingdom, Japan, the Netherlands, Denmark and Australia.

Contributions from the Middle East have been less generous and slower in disbursement.

##### ACCOUNTABILITY OF ASSISTANCE IN AFGHANISTAN

*Question.* How is USAID ensuring that assistance to Afghanistan is being used for the purposes intended? Are regular audits conducted?

*Answer.* Given the security strictures in place for U.S. Government employees in Afghanistan, it is challenging for USAID staff to directly monitor all of our programming.

In order to address this constraint, USAID has a Field Program Manager, whose job it is to travel around the country with the U.S. military for project monitoring and oversight.

USAID has also placed Field Program Officers in each Provincial Reconstruction Team (PRT) to help with this critical function. On the Kabul-Kandahar-Herat highway project, USAID has requested a concurrent audit by our Inspector General.

In addition, our Inspector General (IG) is also monitoring USAID's economic governance contract.

##### ELECTIONS IN AFGHANISTAN

*Question.* How can the international community ensure that the elections are credible and reflect the will of the people—is more time needed to prepare?

*Answer.* Successful implementation of the Bonn Agreement, including the June 2004 elections, is a high priority for the USG.

We are working closely with the United Nations and other donors to ensure that adequate funding is made available on a timely basis for the elections process. Voter education and registration are immediate priorities.

We are encouraging the establishment of an independent Afghan electoral management body, the approval of an electoral law (through the constitution or interim measures), and either a political party law or regulations that permit an enabling environment for political parties or movements to form, organize and participate in the election.

The USG is providing technical support for elections processes, aiding the development of democratic political parties and coalitions of reform-minded political parties and movements, as well assisting civic/voter education.

*Question.* What is the international community doing to ensure a stable and secure environment for the proposed polls?

Answer. Security is a serious concern for all activities related to the elections process.

We are working with the Afghans, the United Nations and other donors to determine how best to address security concerns leading up to and immediately following elections.

#### WOMEN'S POLITICAL PARTICIPATION IN AFGHANISTAN

*Question.* What programs is USAID supporting to increase political participation of women?

Answer. SAID believes the Afghan Ministry of Women's Affairs (MOWA) provides a voice within the government to advocate for increased political participation for women in Afghanistan and, accordingly, has provided support for MOWA. USAID has also assisted NGOs working to increase women's political participation.

*Ministry of Women's Affairs.*—This was the first Afghan Ministry to receive USAID assistance. USAID assisted in the physical rehabilitation of the Ministry of Women's Affairs (the auditorium and 11 offices) and provided the Minister with a vehicle, office furniture and supplies, two computers and a satellite phone. USAID's Gender Advisor provided extensive assistance in helping the Ministry develop its first National Development Budget recently. (Total activity funding: \$178,718)

The NGO, Afghan Women's Network, is providing returnees with job skills, including managerial training, and training women to participate in the political process. (Total activity funding: \$27,352)

The NGO, AINA, provided support to Afghan women filmmakers to make a film on the experience of the Afghan woman during the Taliban period and their hopes for the future. (Total activity funding: \$97,110)

USAID is supporting the Constitutional, Human Rights and Judicial Commissions to ensure that women's concerns are taken into account.

USAID is supporting a number of programs oriented at civil society groups which will work to include women as well as minority groups into the political process. In addition, there will be targeted NGO-implemented programs working out of the women's centers which will direct attention to this issue. USAID also supports to the Human Rights Commission.

USAID, through the International Foundation for Election Systems (IFES), is advising the Afghan Government and the United Nations on needs for women's registration and voting.

USAID, and its partners, the International Republican Institute (IRI) and National Democratic Institute (NDI), are ensuring that women are recipients of education in the voter education process and encouraging women to join political parties and movements, and for parties and movements to include women.

#### IRAQ RECONSTRUCTION

*Question.* How do the ground realities in Iraq today differ from your pre-conflict expectations and how does this impact budgeting—for example, do fewer bridges need repair than originally anticipated?

Answer. War damage was less severe than anticipated, while the extent of looting immediately post-conflict and the dilapidation of existing infrastructure has been extensive. With respect to infrastructure reconstruction, USAID, with guidance from the Coalition Provisional Authority, has been prioritizing emergency communications repair, power/electricity, and water and sanitation facilities.

*Question.* Are press reports on the slow pace of reconstruction accurate? In addition to the security situation, what are the major obstacles for reconstruction?

Answer. While the security situation poses challenges for reconstruction efforts, the pace of USAID reconstruction activity is consistent with and in some cases ahead of the pre-planning estimates submitted to Congress in the April supplemental request. A fundamental objective of all USAID support is to ensure Iraqi ownership of the process and sustainability of efforts, but there is a fear among Iraqis that Ba'athist elements could target them in retribution for their reconstruction work.

*Question.* Are Ba'athist loyalists or Shi'a religious leaders actively undermining reconstruction activities?

Answer. This question is most appropriately addressed to the Department of Defense. However, USAID has productively-worked with Shi'a religious leaders in delivery of essential services in the southern regions and Baghdad.



*Question.* What is your assessment of USAID's democracy and governance programs in Egypt?

*Answer.* The current democracy/governance (DG) program consists of three activities: (1) the NGO service Center, which strengthens civil society by providing direct grants, training and technical assistance to NGOs aimed at improving their internal governance, financial accountability, and advocacy skills; (2) the Administration of Justice (AOJ) project, which modernizes commercial court administration and expedites case processing through computerization, re-engineering, and training of judges; and (3) the Collaboration for Community Services project which, through locally or appointed entities in four pilot communities, improves the delivery of public services.

Proposed new components include: (1) Promote the Rule of Law through civil and criminal court reform and human rights activities such as revitalization of the legal education in Egypt, English as a second language training and support for NGOs that provide legal services to poor and disadvantaged citizens; (2) Promote Reform of the Egyptian Media by sending 50 journalists to the United States for training; (3) Support to the Embassy's Public Affairs Section to put on study tours to the United States and region to foster an enabling environment for economic, education and social reforms; (4) Support the Creation of an Independent Egyptian Council on Human Rights to ensure the adherence to human rights by receiving and investigating complaints and acting as a mediator, commenting on legislation involving human rights and ensuring that Egypt adheres to international human rights agreements; (5) Support the Egyptian Branch of Transparency International to combat government and corporate corruption by organizing citizen "watchdog" groups and, GOE cooperation permitting, assisting the GOE in establishing a government-wide code of ethics; and (6) Support Parliamentary 2005 Elections if GOE concurrence can be had.

*Question.* Can you point to any specific achievements of these programs?

*Answer.* AOJ successes include: Case processing time has been reduced from years to months; public confidence in the judiciary is increased; the Ministry of Justice has demonstrated its commitment to judicial reform through its massive investments (\$50 million) for upgrading courts and providing judicial training; and building constituencies among judges, lawyers and court staff to support judicial reform.

NGO Service Center successes include the promotion of political and legal rights for women in Qena governorate where a local NGO received a grant to assist 2,000 women obtain civil documents, and 1,200 women to obtain electoral registration cards and access social insurance benefits. More women have since petitioned local party official to nominate increased numbers of women for positions on local councils and to form a committee to promote women's awareness of their legal rights to obtain available services from government agencies. Another example: The village of Tablouha had long-suffered from poor environmental conditions and disease due to lack of systems for solid waste and garbage disposal. With USAID project assistance, a local NGO organized a public hearing attended by 700 residents to discuss these needs. The hearing resulted in two important decisions for the community: to use both the Village Council's and an agricultural cooperative's clean-up equipment to collect garbage and solid waste and to collect a monthly fee from 550 local inhabitants to ensure sustainability of the service. The fees have been used to purchase and plant over 1,000 trees in the area.

CCLS: Two industrial communities that contribute significantly to Egypt's exports have improved their community level services. An employment services office and websites to promote the communities and their industries have been created there. The city of Dumyat is a major manufacturer and exporter of furniture. Manufacturers and small workshops have expanded their market to the United States and Europe by collaborating amongst themselves and with government to gain access to services that will help them be more competitive by improving marketing, designs, and quality control.

*Question.* What action is USAID undertaking to ensure that its programs are not unduly influenced by the Egyptian Government?

*Answer.* USAID maintains dialogue with the GOE concerning democracy and governance emphasizing: (1) USG commitment to significantly expand funding in this area; (2) general themes around which we propose to focus programming; (3) illustrative examples of the types of programs we propose in each area; and (4) the need to rethink funding mechanisms to reflect the changing nature of our assistance in this area. The USG is also committed to reach more Egyptians at the grassroots level and to implementing more activities through NGOs.

A U.S. inter-agency group agreed that USG projects should parallel directly our policy approach to the GOE. For example, we should fund projects that are consistent with the need to open political space for new parties. The inter-agency group also agreed that the Embassy/USAID should lay out the following themes and related indicative projects with the GOE as primary areas of emphasis in democracy and governance in Egypt: political openness; media and exposure to outside views; civil society; and rule of law and governance.

## BURMA

*Question.* How closely is USAID—and its contractor—coordinating HIV/AIDS programs with Suu Kyi?

*Answer.* USAID's HIV/AIDS program was designed in close coordination with the U.S. Embassy in Rangoon. When the program was designed USAID met with representatives of the National League for Democracy (NLD) and other democratic opposition groups. Comments and suggestions from the groups were incorporated into the program design. The representative visited one of the project sites and liked the work that was being implemented. USAID continues to work closely with the U.S. Embassy and to seek NLD guidance on the program.

*Question.* Given Burma's repressive environment, how does USAID ensure oversight of the use of funds inside Burma?

*Answer.* USAID-managed programs inside Burma are currently limited to: (1) activities that enhance the ability of the American Center in Rangoon, within the U.S. Embassy, to reach out and provide some training and materials on democracy and human rights issues to members of Burmese democratic organizations; and (2) HIV/AIDS prevention and treatment. Activities to reach out to democratic opposition groups are carried out under the supervision of the U.S. Public Affairs Office in the Embassy. HIV/AIDS activities are implemented by organizations with whom USAID has worked for many years. These organizations have developed, and discussed with USAID, monitoring plans that ensure adequate oversight of their programs. In addition, USAID has made periodic site visits to monitor program activities. USAID has recently opened a Regional Development Mission in Bangkok to better manage and oversee activities in the region.

*Question.* As the generals in Rangoon do not let foreign NGO workers travel unaccompanied throughout the country, how do these NGOs ensure oversight of their programs?

*Answer.* USAID's experience from site visits to HIV/AIDS programs inside Burma has been that in many areas NGO's have relative freedom of movement and are not subject to government interference in their programs. USAID-funded NGO's have consistently reported that they are able to work with relative ease in many areas of Burma. Conditions vary greatly within Burma, and NGO's with whom we work choose areas where adequate program oversight is possible.

## CAMBODIA

*Question.* With parliamentary elections scheduled for July 2003, how confident are you that the elections will be free and fair?

*Answer.* We feel that this will be difficult to judge at the present moment. While we are confident that the Cambodian people would really like to have a free and fair election it is really too early for them to tell at this point—and thus it is difficult for us to know as well. The elections will be determined to be free and fair IF the Cambodians feel that the process was valid and that the results indicate what was actually voted. In truth, this will not be determined until several days after the polls close—we therefore hope Washington is wary of any reports immediately after the election.

*Question.* Would USAID support increased assistance to Cambodia if the repressive Cambodian People's Party (CPP) was no longer the ruling party?

*Answer.* We would welcome increased assistance as Cambodia has enormous needs and the Cambodian people could benefit greatly from increased assistance in areas such as education, health, democratic development, economic growth and employment, environment, and anti-trafficking in persons.

## SECURITY AND ELECTIONS IN CAMBODIA

*Question.* Cambodia is a case study of the long term development challenges that arise when substandard elections are held after years of turmoil. How do you assess the current security environment in Afghanistan, and how might security impact the 2004 elections?

*Answer.* Election security is a serious concern that could impede the conduct of free and fair elections.

If not adequately addressed, regional populations may be inhibited from organizing into parties or movements, campaigning, attempting to register and voting their conscience. We are working with the Afghans, the United Nations and other donors to determine how best to address security issues.

#### INDONESIA

*Question.* What specific programs are being supported to counter extremist influence throughout the country?

*Answer.* USAID's support for moderate groups long predates 9/11; USAID programs have provided support to moderate groups responding to emerging social issues, voter education including the 1999 election process, and women Muslim groups. Since 9/11, USAID programs to counter extremism in Indonesia have expanded and include work on promoting religious tolerance through the Islam and Civil Society Program, on strengthening local government management of education so that public schools can become better alternatives to private religious-based schools, and on helping Indonesia to establish a legal and policy environment that disrupts material support for terrorists. The three current programs USAID supports are:

##### 1. *Islam and Civil Society Program (ICS)*

Implementer: The Asia Foundation (with 30 Muslim Partner Organizations)

Timeframe: 1997 to 2004

Funding to date: \$4,900,000

- The ICS supports the efforts of 30 moderate Muslim organizations to directly counter religious extremism and promote democratization through Islamic teachings and texts in four main areas: gender, media, education policy and political parties.
- Moderate Muslim groups supported by this program have played an increasingly public and vocal role in calling for tolerance and peace during critical periods of time such as the recent military action in Iraq.
- Education programs are based upon the premise that Islamic militancy thrives on lack of knowledge and understanding of how Islamic principles support democracy, tolerance, gender equality, pluralism, and rule of law. Education on these principles and on tenets of secular democracy and civil society is an effective tool in preventing/countering militancy.
- ICS education programs work through two main channels—formal institutions of higher education, and informal programs conducted in pesantren (Islamic boarding schools) or campus groups. ICS-supported media programs are directly aimed at countering visibility of militant Islam within the public media.

Program examples and results include:

- New civic education curricula focused on the rule of law, citizen rights and gender equality are now being implemented in 47 affiliates of the Islamic National University, Jakarta and in six University of Muhammadiyah, Yogyakarta universities (to be expanded to all 35 in September 2003). 40,000 students a year take this required course.
- The Institute for Research and Pesantren Development, Makassar has developed a civic education curriculum and textbook countering rigid Islamic doctrines that marginalize women and restrict religious pluralism, to be piloted in 24 pesantren in South Sulawesi, then integrated into all 2,000 affiliated pesantren in South Sulawesi.
- Islam Liberal Network, Jakarta explicitly aims to counter militant and radical Islamic movements in Indonesia. They produce a weekly radio talk show on pluralism and tolerance that reaches 10 million listeners through a network of 40 radio stations nation-wide, and publish a weekly half-page column in the daily newspaper Jawa Pos and 35 syndicated affiliates, reaching 2 million readers with messages of anti-violence, pluralism and religious tolerance. They also maintain a bi-lingual website that actively campaigns against militancy.
- Islamic Education Laboratory, Yogyakarta, a university student group, facilitates routine campus discussions on "Islam and pluralism" and civil society building projects among campus groups on six prominent universities in Central and East Java, bringing its message of pluralism and tolerance within Islam directly to target hardline student populations.
- Study-Action Group on Indonesian Democracy/Institute for Human Resources Development, Jakarta—these two organizations both work directly with khotib (Mosque preachers) and mosque youth groups to promote messages of pluralism and tolerance. One produces a bulletin handed out by mosque youth groups to worshippers after Friday prayers. The other trains Khotib, who preach at the

Friday prayers, and provides them with a “preachers’ handbook” of “sermons” on rule of law, civil society, and religious tolerance.

- Paramadina University, Jakarta, has created a handbook entitled “Islamic Jurisprudence on Pluralism” for Muslim leaders that references classical and modern Islamic texts and jurisprudence that support pluralism, religious tolerance, and gender equality.
- Institute for Advocacy and Education of Citizens, Makassar, a grassroots student group, broadcasts an hour-long interactive talk show on five radio stations with a listenership of 1.2 million people in South Sulawesi.
- Syir’ah, Jakarta is a monthly magazine explicitly designed to counter the top-selling Islamic militant magazine Sabili. Syir’ah has the same size, format, cover design, and distribution pattern as Sabili—but a different content. Instead of promoting violence and radicalism, it preaches tolerance, anti-violence, gender equality, and religious pluralism.

## 2. *Economic Law, Institutional and Professional Strengthening (ELIPS) II Program*

Implementer: Nathan-MSI Group

Timeframe: 2001 to 2004

Funding to date: \$8,400,000

The ELIPS II provides institutional-building support to strengthen independent regulatory commissions, the Ministry of Justice, law schools and professional associations, and to provide technical assistance in drafting, promoting, passing, understanding, and implementing laws, decrees, administrative orders and decisions related to financial crimes. Key results to date:

- ELIPS II assisted the GOI in drafting and passing the new Anti-Money Laundering Law enacted in late 2002. Follow-up work includes drafting of implementing regulations and key amendments related to FATF compliance. Additional work is assisting the newly formed Financial Intelligence Unit and addressing cyber crimes. These activities are complemented technical assistance being provided through the Financial Services Volunteer Corps focusing on exposure to the U.S. anti-money laundering system.
- ELIPS II also provided extensive input to the draft Anti-Terrorism law including co-sponsoring a major conference on the Economic Impact of Terrorism.
- ELIPS II has completed a study and plan for initiatives in financial crimes and completed needs assessments for financial crime unit at the Attorney General’s office.

## 3. *Managing Basic Education*

Implementer: Research Triangle Institute

Timeframe: 2003–2005

Budget to date: \$3,000,000

This program aims to improve the efficiency and effectiveness of local government on strategic planning, administrative management, finance and budgeting to provide better quality basic education services in the context of decentralization, and helping to make public schools more viable alternatives to religious based private schools. In addition, the program strives to increase community involvement in local government decision-making on education. The program will work with 9 local governments on a pilot basis.

*Question.* How can education programs effectively counter the influence of Muslim extremist schools in Indonesia, given the country’s vast geography and USAID’s relatively limited resources?

Answer. A majority of Indonesian public and private schools are considered moderate and do not fall in the category of extremist or radical extremist schools. Indonesia is a very large country with many ethnic and cultural groups. To effectively counter the influence of Muslim extremist schools across Indonesia, a multi-faced approach needs to be pursued to address extremism, which includes building on our decentralized local government program and broadening local government’s capacity and capability to increase community and local government decision-making on education. Also, the number of extremist schools which do not offer the national approved curriculum incorporating secular subjects should be encouraged to do so. Other elements within the multi-faced approach are described below.

- Better understanding of Indonesia’s educational system which includes better monitoring of the education sector by government, community groups, and NGOs concerning curriculum, text books, and quality that builds on the strengths and ideals of indigenous groups; greater involvement of parents and community leaders in local school programs, textbooks, and administration; teacher training and adequate incentives and rewards for teachers; exchange programs which broaden teacher and students views and their understanding

of different cultures and value systems which respect universal human values of dignity, compassion, and tolerance; and strengthening civic education in public and religious schools.

- Promoting Tolerance and Compassion.*—Combating terrorism and the extremist ideas that fuel it is especially difficult because of an education system that fails to include liberal democratic values and religious tolerance in public and religious schools. While not a silver bullet, improving the Indonesian education system is a critical tool for advancing the war against terrorism in the long-term and serves as an avenue for helping reduce the potential sway of radical fundamentalism and intolerance.
- In a tough economic situation, Indonesian families are turning to low-cost, but not necessarily better quality, educational alternatives such as Islamic madrasahs and pesantren. Most teach the national secular curriculum, but some focus only on religious studies, sometimes with fundamentalist and anti-American themes sympathetic to terrorists. Expanding economic opportunities for at risk-groups is critical to broadening their access to quality public and moderate religious schools.
- Expanding students access to alternative views.*—The appeal of extremism can be reduced by expanding the access of Muslim students to democratic systems and values, and alternative worldviews. The key mechanisms for assuring access to more diverse and balanced points of view are increased enrollment and retention of students in higher quality government-managed public schools, and support to moderate religious schools, focusing on civic education and promotion of democratic values. By making public schools a more effective, accessible and viable alternative to religious schools, we can reduce the exposure of Indonesian students to extremist views.
- Strengthening the Quality of Secular Education Provided in Muslim Schools.* The quality and relevance of secular education in Muslim schools is often poor. In most cases, the quality problems are even more acute than those found in public schools because Islamic school teachers are usually not academically equipped to teach secular subjects. To help create a more favorable learning environment in classrooms, teachers should be introduced to “modern” pedagogical methods that are participatory and student-centered. Also, the curricula should promote activity-based learning, including apprenticeships and on-the-job-training to better facilitate the absorption of Islamic school students into the job market once they complete school.
- Engaging Islamic School Leaders to Participate in Providing Education to all Learners.* Local government and community leaders should be encouraged to take a more proactive and positive approach to becoming more engaged with public and moderate Muslim school leaders to discuss how they can better cooperate and work together to reach all learners and broaden the process for a shared vision of quality and relevant education for all and guard against the proliferation of extremist elements in Muslim schools.

#### PAKISTAN

*Question.* The North West Frontier Province in Pakistan recently implemented sharia—Islamic—law. The Taliban provided a vivid insight into the repression of freedom that occurs under sharia.

What programs is USAID conducting in this province, and what programs can we conduct to protect and enhance the rights of women and freedom of speech and thought?

*Answer.* USAID’s programs are helping improve the quality of life for Pakistani girls and women, through greater education, health care and economic opportunities. In our Democracy and Governance program we have a legislative orientation activity that has provided training to new legislators of which 30 percent are women. In the Federally-Administered Tribal Areas (FATA) bordering Afghanistan, USAID supports 120 schools where we plan to repair and provide desks, chairs, and blackboards. When parents believe girls are receiving quality education, they are much more likely to allow girls to remain in school. Additionally, in our Education program we are engaged in early education teacher training which includes women teachers. This helps to reduce the disparity between professional development for women and men. The program also helps teachers and administrators build stronger and more balanced curricula, addressing the needs of both boy and girl students. In our Economic Growth program, we are designing micro credit activities that specifically target women-owned and run businesses in some of the most impoverished regions of the country. In addition economic growth activities include a merit-based scholarship fund for needy students, especially women who would not otherwise

have access to higher education, to attend established business schools. Finally, the Mission's Health program is designed to improve the overall quality of healthcare and to specifically address the needs of women.

*Question.* What steps are we taking to ensure the financial integrity of assistance provided to Pakistan?

*Answer.* USAID's Controller, a U.S. Foreign Service Officer, arrived at post in December 2002. He leads the USAID team to monitor the program for financial and programmatic integrity. In addition to these regular monitoring plans, USAID sent out a request for proposal from seven accredited Pakistani firms to undertake the following: (a) Financial pre-award surveys and periodic financial reviews of NGOs and other partners; and (b) Performance monitoring of the program in each province to measure the progress and maintain a check on the implementation of USAID's programs in the field. The Office of Inspector General (OIG) of USAID in Manila has determined that each of the seven Pakistani firms meets rigid U.S. standards for auditing and monitoring programs. In addition, later this year the OIG in Manila is planning a training session in USG accounting/auditing standards for all accounting firms including cognizant personnel from recipients and the Auditor General's Office of Pakistan.

*Question.* How many Afghan refugees remain in Pakistan?

*Answer.* While the drought has ended and many Afghans have returned to Afghanistan, some 235,000 refugees continue to reside in sixteen Pakistani camps. The camps are located in remote and harsh frontier areas where the refugees have little access to food and sources of income. Food assistance is crucial to their survival. The U.S. Government, through Public Law 480, Title II, will provide 2,070 MT of commodities in fiscal year 2003 to meet the needs of 235,000 refugees. U.S. assistance consists of 970 MT of vegetable oil and 1,100 MT of lentils. The estimated cost of the U.S. contribution is \$2,036,200 including the cost of commodity, ocean freight, and internal transport, storage and handling.

#### ENVIRONMENTAL HEALTH IN ASIA

*Question.* While SARS has captured the attention of the world's media, there are other serious health issues in southwestern China, and Tibet, where millions suffer from environmental health problems related to heavy metals in domestically used coal and severe water quality problems. These include arsenic and mercury poisoning and fluorosis. The region is characterized by a karst topography, which is exceedingly vulnerable to groundwater contamination. These environmental health problems particularly strike children, condemning them to lives of chronic disease. This in turn affects the economic growth and vitality of the region.

There are relatively simple, cost-effective solutions to these problems. Western Kentucky University, in concert with other institutions, has established a consortium of geoscience, biomedical and public health researchers from the United States and China. By studying and implementing solutions to these environmental health problems, the consortium will serve as an example and as a resource for what can be accomplished elsewhere in China and in other developing countries. Will your Agency work with this Consortium to implement solutions to these environmental health problems and save the rising generation of Chinese children from lives of disfigurement and disease and also remove the health impediments to economic growth?

*Answer.* USAID follows the policy guidance of the Department of State on all proposed activities in China. USAID implements a Regional HIV/AIDS program with NGO's in southern China, and manages, at the direction of the State Department and the Congress, limited activities on the Tibetan Plateau and a rule-of-law grant to Temple University. Generally, USAID's environmental health activities focus on infectious diseases, especially the prevention of diarrhea disease and pneumonia in children, as well as malaria. USAID has chosen to focus its limited resources in these areas because the public health threat in terms of both child mortality and the overall disease burden in these areas are greatest and because there are proven and effective interventions. In a very few countries USAID has addressed specific problems of chemical contamination in the environment, such as lead exposure in children and arsenic contamination of drinking water. Within the existing legal and policy framework that guides and directs USAID's involvement in China, we would, of course, give full and complete consideration to such a proposal.

#### FISCAL YEAR 2004 USAID BUDGET REQUEST FOR RUSSIA

*Question.* The fiscal year 2004 budget request for Russia is \$75 million below the last year's level. While some of this decrease can be attributed to the transfer of

exchange programs to the Department of State Bureau of Educational and Cultural Affairs, what programs or activities will USAID cut in the “graduation process”?

Answer. You are correct that \$30 million of the \$75 million decrease is due to the transfer of exchange programs to the Department of State Bureau of Education and Cultural Affairs. These important exchange programs with Russia will continue to be funded.

The anticipated reduction in FREEDOM Support Act funding in 2004, and its implications for future funding, will force USAID, in consultation with the Assistance Coordinator’s Office in the State Department, to make difficult decisions among important activities.

During the phase-out period, we will likely continue to focus on the sustainability of civil society institutions across all sectors that will be instrumental in continuing to push for reforms and for building a democratic society in Russia. We will probably also continue to emphasize our programmatic emphasis on Russia’s critical health problems—particularly HIV/AIDS, tuberculosis, and unhealthy lifestyles. In addition, given the resources and development potential of the Russian Far East, as well as its cultural and historic ties to the United States, we anticipate continuing to emphasize programs in this region. In view of the economic progress Russia has made, most of the proposed budget cuts will likely be borne by our economic growth programs; some are slated for early termination and others will likely be curtailed entirely. In some cases, those cuts are being made in 2003 to ensure that we have the resources for other priority areas in 2004.

*Question.* How will democracy programs be impacted by the decrease in assistance for Russia?

Answer. We recognize that Russia’s transition, particularly toward democracy, may well not be complete by 2008, and that as FREEDOM Support Act programs end, the U.S. Government must nevertheless remain to stay engaged in Russia’s transition. It is our understanding that other USG agencies plan to continue to support civil society development and democracy via National Endowment for Democracy, Embassy Democracy Commission, United States–Russian citizen contacts, and professional and student exchanges.

We realize that Russia continues to face challenges in democratic development. We are developing a strategy to phase out FSA assistance to Russia over the next several years that will seek to ensure a legacy of sustainable institutions to support civil society and democratic institutions. During this time, we will increasingly focus on democracy and rule of law to ensure that we consolidate and sustain the progress made over the past decade. We will seek to advance structural changes that are needed to create a hospitable environment for Russian civil society.

FSA technical assistance programs have played a vital role in advancing progress toward rule of law in Russia, including vital support for the professionalization of Russian court administration and judicial training; emphasis upon the importance of judicial ethics (resulting in more openness by the Russian courts concerning disciplining of judges); reform of law school curriculum, including introducing and supporting clinical legal education; and supporting every aspect of the development of the new criminal procedure code, which has drastically changed the roles for Russian judges, prosecutors and defense attorneys. As another example, legal volunteers from Vermont, including judges, practicing attorneys, and staff of Vermont Law School, have worked with the Republic of Karelia on a professional development program for Karelian judges, legal educators, and practicing lawyers. Our focus is now on helping the Russian bar consolidate the gains it has made, particularly by sponsoring professional education events to help the bar hone its advocacy skills.

#### FISCAL YEAR 2004 USAID BUDGET REQUEST FOR ARMENIA

*Question.* The fiscal year 2004 budget request for Armenia is \$40.5 million below last year’s level. Is this cut too drastic, and what programs will you terminate should Congress provide the budget request?

Answer. While a reduction in FREEDOM Support Act (FSA) funding in fiscal year 2004 would reduce the scope of USAID programs, USAID does not believe that such a reduction would be detrimental to the progress and momentum in reform that it has achieved in its efforts to date. USAID/Armenia conducted an initial analysis on what a reduced FSA budget would do to its programming. Armenia has made progress in certain areas over the past few years, and we are able to wind down successful programs. For example, some of our micro-credit programs are now self-sustaining, our energy metering program has been successfully completed, and the Earthquake Zone Recovery program will end in fall 2004. While we would not elimi-

nate any of our major program areas, as described in more detail below, we would have to phase out and/or scale down certain programs.

USAID/Armenia has an integrated strategy to assist in economic and political transition to a law-based market economy and an open, pluralistic democracy. The strategy also anticipates support to lessen the distress of Armenia's transition. With reduced funding levels, the Mission would continue its integrated approach, but would reduce the scope of activity in each of its program areas. Anticipated activities are grouped into five broad areas: A more competitive private sector (economic reform), improved democratic governance (governance), improved primary healthcare (healthcare reform), improved social protection (social protection), and more efficient and environmentally sound management of energy and water resources (energy and water). If funding is reduced, USAID/Armenia, in collaboration with partners and stakeholders, would focus on a more limited set of key objectives in each of these areas.

Economic reform, with a focus on micro, small and medium enterprise development and job creation, remains a primary focus areas of the Mission portfolio because it is viewed as a major driving force in Armenia's advancement toward economic growth, equity, and political stability. The Mission intends to shift its emphasis toward strengthening institutions that implement commercial laws and policies in order to create a legal and regulatory environment that will encourage greater foreign direct investment. At a reduced funding level, technical assistance to micro, small, and medium enterprises in the sectors would be focused on sectors with the greatest growth and employment potential.

Work in democracy and governance continues to be a high priority for the Mission, addressing three interlinked problems: dominance of the executive branch, a lack of democratic political culture, and corruption. USAID programs support strengthening citizen participation, non-governmental organizations, non-state media, local governance, anti-corruption, legislative strengthening, and rule of law. Citizens have demonstrated greater interest in community issues, and USAID plans to continue its efforts fostering this developing sense of community ownership and responsibility. Projects that encourage citizens to participate in public issues cover a variety of issues ranging from condominiums, police, human rights, the Constitution, local government and elections. These activities stimulate the "demand side" for improved democratic process. The "supply-side" for improved democratic governance is achieved through strengthening governance institutions to make them more effective, transparent, and accountable to citizens. To promote democratic governance, funding at a reduced level would require limiting the focus to three or four of these seven areas, with priorities being to strengthen the demand for better governance and anti-corruption.

In healthcare reform, efforts address transition from the Soviet-legacy system for the provision and administration of healthcare. Programs target financial reform, institution building, training, enhanced transparency, community mobilization, health education, medical outreach, and nutrition. With reduced funding, there would be fewer United States-Armenia partnerships; a decreased effort to strengthen primary care, reproductive health and system reform; and smaller-scale direct assistance programs. Efforts would continue in financial reform, which is essential to develop a system in which patients are allowed to choose care providers. Financial reform must be accompanied by training to shift care provision from highly-specialized, hospital based system to preventive, primary care. The pace of healthcare reform would slow down with reduced funding in this area.

Social protection programs serve a humanitarian purpose and build popular support for market and democratic reforms. With the existing levels of poverty, unemployment and other forms of vulnerability, social protection remains a priority for USG assistance in Armenia. USAID/Armenia will support a new vocational training program partnered with targeted labor development programs, as well as strengthening core assistance programs, including pensions for the elderly and poverty family benefits. At a lower funding level, our assistance in the social insurance system aimed at the improving pension and disability support and payment systems would decrease, as would the proposed skills training and labor development programs. Fewer vulnerable populations, such as the aging, will be assisted.

The Mission's energy and water sector activities will promote more efficient and environmentally responsible development of these key public services. Improving the performance of the institutions that manage and regulate water and energy will improve the delivery of heat and water services and increase Armenia's energy security. USAID's support is aimed at promoting sustainable energy and water management, enhanced economic growth and competitiveness, reduced negative environmental impacts, energy security, and improvement to the quality of life of Armenians by supporting improved delivery of water and heat supply. At a reduced fund-



ing level, these goals will be harder to achieve due to their complexity and the length of time required. However, because the Mission's plans to focus on institution building, policy development, and pilot projects where other donors will make the major infrastructure investments, key objectives can be achieved at the reduced funding level, with careful attention to focus, planning and implementation.

*Question.* Armenia's presidential elections in February 2003 were mired in controversy. How is USAID bolstering democracy in that country, and should more programming be done?

*Answer.* By all accounts, the conduct of the recent presidential election in Armenia was controversial. It highlighted the strong tendency toward executive branch domination. Consequently, multiple efforts in democracy and governance continue to be a high priority for the Mission. These efforts address three interlinked problems: dominance of the legislative and judicial branches of government by the executive branch, a lack of democratic political culture, and corruption. USAID programs support greater citizen participation, an expanded role for non-governmental organizations, improved news coverage by non-state media, stronger local governance, targeted anti-corruption activities, legislative strengthening of the National Assembly, and increased dependence on the rule of law. Armenian citizens continue to demonstrate great interest in community issues. As such, USAID plans to continue its efforts to foster this nascent sense of community ownership and responsibility. Projects that encourage citizens to participate in public issues cover a variety of issues ranging from condominiums, human rights, the Constitution, local government and elections. These activities stimulate the "demand side" for improved democratic processes. An improved "supply-side" for improved democratic governance is achieved through strengthening governance institutions to make them more effective, transparent, and accountable to citizens.

#### USAID SUPPORT FOR THE COOPERATIVE DEVELOPMENT PROGRAM

*Question. Israel.*—Is USAID considering reinstating support for the Cooperative Development Program?

*Answer.* The Cooperative Development Program (CDP), a centrally-funded USAID program that has enabled MASHAV, the development assistance arm of the Government of Israel's Ministry of Foreign Affairs, to develop collaborative relationships with developing countries around the world, is receiving its last tranche of central funding in fiscal year 2003. This program, which has involved commitments of nearly \$75 million since the late 1980s, was felt to have fully accomplished its goals.

In fiscal year 2001, MASHAV and USAID initiated a new partnership that emphasizes relationships between our two organizations at the country level. Individual USAID Missions are encouraged to consider collaborating with MASHAV on projects in which Israeli expertise is deemed to be appropriate. The USAID Mission in the Central Asian Republics has been the first to enter into such a partnership. It will continue to utilize Israeli expertise directly through a Mission-funded \$5 million agreement with MASHAV, which runs until the end of fiscal year 2005.

#### RURAL ELECTRIFICATION

*Question.* What funding level does USAID anticipate providing for international rural electrification in fiscal year 2004, and what is USAID's commitment to these programs?

*Answer.* Globally, USAID anticipates providing approximately \$35,500,000 in fiscal year 2004 for rural electrification. This number represents a wide range of technical assistance, capacity building, and policy and regulatory work that facilitates increasing access to electricity in rural areas. This total is at this time provisional as actual figures will depend on appropriation numbers and final determination of field programs based on field mission strategies and current needs. USAID is fully committed to this issue through the Global Village Energy Partnership (GVEP), a program under the White House Signature Clean Energy Initiative (CEI). The CEI aims to provide millions of people in the developing world with access to affordable, reliable, clean, healthy, and efficient energy services. USAID is the appointed USG Agency to lead up the GVEP which seeks to reduce poverty and promote sustainable development through increased access to modern and affordable energy services in areas either not served or under-served by current energy delivery systems. The Partnership brings together developing and industrialized country governments, public and private organizations, multilateral institutions, consumers and others in an effort to ensure access to modern energy services by the poor and aims to help reduce poverty and enhance economic and social development for millions around the world. It builds on existing experience and adds value to the work of its individual partners. It reaches out to non-energy organizations in the health, education,

agriculture, transport and enterprise sectors, and offers a range of technology solutions to meet their needs. This covers renewable energy, energy efficiency, modern biomass, liquefied petroleum gas (LPG) and cleaner fossil fuels. The Partnership will help achieve the internationally recognized Millennium Development Goals. The partnership will also address gender issues in order to reduce health and environmental hazards and increase social and economic welfare; it will build on the knowledge and capacity of each member of the community in energy delivery and use.

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QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

U.S. COMPANIES AND USAID PRIME CONTRACTORS

*Question.* How best can prime contractors utilize U.S. companies as suppliers in reconstruction efforts—is this something that can be written, or amended, into contracts?

*Answer.* USAID policy is to buy American products as often as possible. However, where American equipment cannot be maintained or repaired, USAID documents the reasons why the purchase of U.S. products was not feasible. USAID cannot direct its prime contractors in terms of what subcontractors to use. However, in order to facilitate procurement opportunities for interested companies, USAID has established an extensive website containing detailed information on our Iraq reconstruction activities and direct links to our prime contractors.

USAID CONTRACT PROCESS

*Question.* Mr. Administrator, I have been recently contacted by Dick Corporation of Pittsburgh, Pennsylvania, a company that is interested in assisting in the reconstruction of Iraq. Dick Corporation is a major contractor that provides quality construction services to the Army Corps of Engineers, the Navy, and the General Services Administration. In serving all of these clients, the company has been a recipient of numerous awards for performance excellence. Currently, Dick Corporation is rated by Engineering News Record as 36th in the listing of the Top 400 Contractors and 22nd of the Top 50 Contractors working abroad. What is the process Dick Corporation should go through to work with AID in obtaining construction contracts? Has AID issued any similar construction contracts in the effort to rebuild Iraq?

*Answer.* USAID encourages firms with demonstrated expertise in particular sectors to contact USAID's prime contractors. USAID posts the names of the prime contractors on the USAID website as contracts are awarded. Given that the prime contractor is legally bound to the parameters of the contract, the prime must determine the most technically appropriate and cost-effective sub-contractor relationships to meet the deliverables within the contract. USAID's capital construction requirements are being implemented by Bechtel National, Inc., with technical oversight provided by the Army Corps of Engineers.

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QUESTION SUBMITTED BY SENATOR JUDD GREGG

PEREGRINE FUND

*Question.* What is the status of USAID's funding for The Peregrine Fund's (TPF's) Neotropical Raptor Conservation Program in Panama?

*Answer.* USAID has provided funding of \$1,000,000 to the Peregrine Fund (\$500,000 each in 2001 and 2002) and will provide \$500,000 in 2003. Management of the grant is being transferred this year from the Washington based Regional Sustainable Development Office to the USAID mission in Panama.

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QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

ACCOMPLISHMENTS IN AFGHANISTAN

*Question.* What are some of the accomplishments we can point to in Afghanistan?

*Answer.* Below we provide USAID accomplishments organized by sector:

Humanitarian (following 24 years of conflict and 4 years of drought):

—Averted famine for between 8–10 million Afghans in 2001–2002.

—Ensured that 5.9 million Afghans were able to survive the winter of 2002–2003 by prepositioning food aid and providing emergency shelter kits.

—Kept the major north-south artery (Salang Tunnel) open

- Provided opportunities for thousands of Afghans to regain their dignity and a measure of livelihood security through the implementation of dozens of cash-for-work programs
- Revitalizing Agriculture and other Livelihood Options (70 percent of Afghans dependent on agriculture for their income):
  - Provided 3,500 MT of seeds and 3,100 MT of fertilizers for the spring 2002 planting season that produced 100,000 MT of wheat benefiting 60,000 farmers. These inputs helped to contribute to an 82 percent increase in production from the previous year and contributed to a decrease in the number of Afghans who will need food aid this year.
  - In fall 2002, 5,000 MT of seed and 9,000 MT of fertilizer were distributed to 113,000 farmers in 13 provinces. Estimated increase in wheat crop production from this contribution is 42,000 MT, which translates into an additional \$69 net income per farmer. (Note: There is no data on average annual income in Afghanistan. However, other countries with comparable social indicators have annual average incomes between \$100-\$200 per year.) FAO's crop forecast produced just prior to harvest in summer 2003 indicates that the harvest could be, "the best harvest in 25 years" and a 60 percent increase over 2002. The report indicates that good rainfall, additional land in production, and widespread availability of seed and fertilizer account for the increase. If actual harvests are as good as the pre-harvest survey predicts, Afghanistan could realize a national surplus in cereals, particularly wheat, in 2003.
  - In spring 2003, 227 MT of seed and 339 MT of fertilizer were distributed to 4,500 farmers in three provinces. This distribution focused on increasing seed production for improved varieties of a wider range of crops, rather than just cereals as had been the focus in spring 2002 and fall 2002.
  - Repaired over 5,000 km of rural roads through cash-for-work; carried out 250 projects related to road infrastructure (culverts, retaining walls, etc.); reconstructed 31 bridges.
  - Carried out 5,245 small agricultural water infrastructure projects (irrigation canals, small dams, levees, etc.)
  - Repaired and managed the traffic control system for the Salang Pass, the major north-south route for Afghanistan.
  - Provided over 11,000,000 person-days of cash-for-work jobs; the equivalent of 1 month of employment for half a million Afghans.
- Upcoming Accomplishments:
  - \$150 million three year Rebuilding Afghanistan's Agricultural Markets Project (RAMP), awarded July 2003, will include major sub-programs in rural agricultural infrastructure, rural financial services, and technology improvement and market development.
- Kabul-Kandahar Highway Reconstruction:
  - Rebuilding 390 km of 482 km Kabul-Kandahar highway; successfully met mobilization and implementation challenges presented by President Bush's direction to accelerate reconstruction for first layer asphalt completion by December 31, 2003. Paving initiated July 1, 2003; five separate construction subcontractors now mobilized and working five road segments.
- Enhancing Educational Opportunities:
  - Provided 15 million textbooks for the start of school in 2002 and 10.7 million in 2003.
  - Provided 4,000 basic teacher training kits.
  - Providing, since March 2002, a food salary supplement, equal to 26 percent of income, to 50,000 teachers.
  - Rehabilitated 142 schools, daycare centers, vocational schools, and teacher training colleges.
- Upcoming Accomplishments:
  - Start accelerated learning programs for upwards of 60,000 girls who missed education under the Taliban.
  - Provide emergency training for 30,000 community-selected teachers.
  - Rebuild 1,000 schools over 3 years.
- Improving Health, particularly Maternal/Child Health (Second highest maternal mortality rate in the world; one in four children die by the age of five):
  - Immunized 4.26 million children against measles.
  - Provided one-quarter of the Kabul water supply, focusing on the poorest districts.
  - Carried out 3,114 small potable water supply projects (wells, springs, small distribution systems).

- Launched a water purification solution product, called Clorin, to combat child mortality due to diarrhea; in partnership with private sector, Clorin is being produced in Afghanistan.
- Provided access to basic health services to an area covering 3.8 million people in 17 provinces; 191,724 persons have been treated at these clinics (75 percent of whom are women and children).
- Rehabilitated the water systems for Kandahar and Kunduz, benefiting 650,000 people by increasing supply, pumping capacity, extending service lines, and eliminating direct discharge of human waste through provision of sanitary latrines.

Upcoming Accomplishments:

- Expand basic health services to an area covering 16.5 million Afghans.
  - Build or renovate up to 400 basic health centers in rural areas.
- Strengthen Afghan Institutions to Assure Stability:
- Provided \$58 million total to the Afghan Reconstruction Trust Fund for budget support.
  - Provided a food salary supplement, valued at 26 percent of income, to 270,000 civil servants over 6 months. Recent assessment concluded that a number of qualified civil servants returned to their jobs because of this supplement.
  - Effectively managed the currency conversion process on behalf of the Central Bank through the provision of personnel to staff the 52 exchange points, counters, shredders, and transportation for moving the currency. Currency has maintained value and stabilized against the dollar, since its roll-out in fall 2002.
  - Rehabilitated 13 government ministries, including the provision of daycare centers so that women can return to work.
  - Provided critical assistance to the United Nations for the emergency Loya Jirga, including logisticians who developed the plan for implementation; air operations support; educational films on the Loya Jirga process for communities; international observers to ensure transparency in the selection of delegates; and nationwide expansion of Radio Kabul broadcasts with messages about the Loya Jirga process.
  - Rehabilitated (i.e., electricity, office repairs) and/or provided equipment (communications equipment, computers) to 19 Government ministries and offices.
  - Provided daycare centers to Ministries to enable women to return to work.
  - Provided a satellite phone system and pouch mail so that the central government in Kabul can communicate with its regional offices.
  - Established Afghanistan's first private sector FM radio station.
  - Work with the Ministry of Finance and Central Bank to rebuild key economic institutions, such as the banking system, revenue collection, government financial management systems, privatization, utility reform, and trade reform.
  - Establishing 18 Women's Centers nationwide with accelerated learning and health education programs.
  - Supporting the Constitutional, Judicial, and Human Rights Commissions.
  - Establishing community radio stations.

CLEAN WATER IN IRAQ

*Question.* It is my understanding that access to potable water is one of the more pressing problems facing Iraq today. What has USAID done with respect to providing clean water to Iraqis?

*Answer.* USAID, through support to UNICEF, is addressing the need for improved water supply by establishing a water and sanitation coordination team comprising U.N. agencies, ICRC and international NGOs, completing extensive water assessments and procuring and distributing water treatment chemicals for communities in South and Central Iraq.

USAID's private sector partner for capital construction, Bechtel, will be rehabilitating up to 8 water treatment facilities in Basra, 6 water treatment plants in south central Iraq, and the Sabah Nissan water treatment facility in Baghdad to increase treated water in east Baghdad by 45 percent and in overall Baghdad by 15 percent.

Lastly, USAID plans to rehabilitate seven wastewater treatment plants in Baghdad, the Central region and Mosul. All require significant rehabilitation due to neglect during the sanctions period. Some have suffered additional degradation due to looting. Reducing sewage flow into the rivers is a key element to providing clean water to Iraqis and to reducing Iraq's high infant mortality rate.

## USAID USE OF AMERICAN GOODS IN IRAQ RECONSTRUCTION

*Question.* Home Depot believes that \$50 million in sales of supplies and equipment to Iraq could result in at least 300 new American jobs. How is USAID maximizing the use of American goods and supplies in the reconstruction of Iraq?

*Answer.* USAID has awarded all of its primary contracts and grants to American firms. However, USAID is also maximizing the amount of Iraqi goods and services to ensure that Iraqis are fully invested in the reconstruction of their own country, which is also consistent with Administration policy.

## EGYPT

*Question.* How would you assess the effectiveness of AID's very long and extensive program in Egypt? What are the prospects for real economic and political reform in Egypt, and how could U.S. assistance be used more specifically to promote those goals?

*Answer.* USAID has provided Egypt with over \$25 billion since the Camp David Accords. We have helped Egypt move from a socialist centrally planned economy towards a more open, market-oriented economy.

In the 1970s, USG assistance helped restore and reopen the Suez Canal, one of Egypt's major foreign exchange earners, along with oil/gas and tourism.

Over \$6 billion has been invested in physical infrastructure programs including electric power, water, wastewater and sanitation, telecommunications and transportation. Results: 95 percent of Egyptians have access to electricity; 22 million citizens have access to water/wastewater services; the number of telephones increased over seven-fold.

Social and economic development strategies in health care, basic education and agriculture have improved the quality of life for millions of Egyptians. USAID has provided \$134 million since 1990 for small and medium enterprise development and micro-lending programs. With USAID assistance, six not-for-profit business associations and two banks are now implementing efficient and effective Small and Medium Enterprise (SME) lending programs that are operating on a self-sufficient basis. To date, 840,000 loans, valued at over 2.1 billion Egyptian pounds, have been extended to 340,000 Egyptian entrepreneurs with less than a two percent default rate. These loans have, in turn, helped to create more than 240,000 jobs.

Child survival programs have been successful with infant mortality falling by 45 percent and mortality rates for those under age five falling by 53 percent.

USAID's program has helped the Government of Egypt (GOE) take the steps to create a globally competitive economy by emphasizing policy reforms supportive of increased foreign and domestic investment, export oriented growth, workforce and business skills development, and privatization and investment in Information Technology (IT). USAID's efforts also culminated in the recent inauguration of an Egyptian IT center in Chantilly, VA that will strengthen the U.S./Egyptian technology partnership. In the 1990s, major reforms strengthened macro-economic discipline, reined in inflation and privatized many state-owned enterprises. Real economic growth averaged more than 4.6 percent over the decade, and per capita GDP has climbed above \$1,400.

The USG is currently negotiating with the GOE reforms that will be necessary to strengthen the financial sector and underpin Egypt's recent pound float. The floating of the pound is viewed as a preliminary show of commitment from the GOE to financial sector reform. It will enhance the competitiveness of Egyptian exports, tourism and economy.

The USG is prepared to provide financial and technical assistance towards strengthening the banking sector, including the privatization of State Banks, as well as assistance to strengthen/reform insurance and pension systems and securities.

The GOE hopes to negotiate a Free Trade Agreement (FTA) with the USG. In order to achieve success in this effort a number of actions will be required on the GOE's part.

While the USG intends to continue to provide some technical assistance resources to trade and custom reforms, the GOE will need to undertake on its own initiative certain steps towards achieving an FTA.

## AMERICAN EDUCATIONAL INSTITUTIONS IN LEBANON

*Question.* The American educational institutions in Lebanon are considered by most Lebanese and Lebanese Americans as a key component of the American assistance program. Congress consistently supports the American educational institutions. This support is demonstrated yearly in bill and report language. Despite strong Congressional direction, AID appears to resist funding the schools.

In fiscal year 2003, Congress provided \$35 million in assistance for Lebanon. The conference report directed that not less than \$3.5 million should be provided to the American educational institutions. Despite this clear statement of congressional intent, Administration officials have indicated they plan to provide only \$2.5 million for the schools. Does the Administration plan to disregard the conference report language on the American educational institutions in Lebanon?

Answer. The Administration continues to support to all of the American Educational Institutions (AEI) in Lebanon: the American University of Beirut (AUB), the Lebanese American University (LAU), the International College (IC), and the American Community School (ACS). However, USAID's program objectives and goals have grown, while available funding has decreased. The program now includes: promoting economic growth, building democracy and good governance, enhancing Lebanese government control in southern Lebanon, and protecting the environment, in addition to supporting the four AEIs. In order to meet these goals, we have turned to funding projects using implementing partners, such as NGOs and private-sector organizations, which have the capability to execute our projects but lack alternative funding resources. In contrast, AEIs do have endowments and the ability to fundraise from their alumni. The USG has a commitment to those NGO partners that are working on a sound and successful development program that has and will continue to benefit millions of people all over Lebanon.

Please note that during the period of 1999–2002, the AEIs received \$9.852 million in support from the American Schools and Hospitals Abroad (ASHA) fund, managed by USAID. That support averages out to be \$2.463 million a year. For fiscal year 2003, ASHA funding to the AEIs will continue.

In fiscal year 2003, the Administration has made available \$24.77 million in economic support funds (ESF) for the Lebanon program. This number reflects the 0.65 percent across the board cut for all ESF assistance levels and the \$10 million which is restricted, from being provided to Lebanon under Section 1224 of the Foreign Relations Authorization Act of fiscal year 2003. Given these constraints, and consistent with the spirit of the language on AEIs in Lebanon contained in the Conference Report on Foreign Operations, Export Financing, and Related Programs Appropriations Act, fiscal year 2003 (which states that \$3.5 million of the original appropriation of \$35 million should be allocated to the AEIs), we are allocating 10 percent of the fiscal year 2003 ESF funding made available for Lebanon, or \$2.477 million, to the American educational institutions in Lebanon.

#### PALESTINE

*Question.* The United States has been providing approximately \$75 million a year since the Oslo process began to the Palestinians to help alleviate their economic difficulties. Just last month, Congress approved a supplemental bill that included an additional \$50 million in U.S. assistance to the Palestinians. Since the Palestinians began their campaign of violence two and a half years ago, however, it has been increasingly difficult to send U.S. personnel into the areas administered by the Palestinian Authority to either monitor existing programs or create new ones. How would you assess the effectiveness of AID's programs in the West Bank and Gaza? How have you been able to effectively monitor and initiate new programs, given the security situation on the ground? How have you been able to ensure that US money does not go directly into the hands of leaders of the Palestinian Authority and that no U.S. money, either directly or through subcontractors, goes to groups or individuals involved in terror?

Answer. Effectiveness of USAID's Programs in the West Bank and Gaza:

- Over the past 2½ years escalating violence, terrorism, closures and curfews have resulted in the virtual collapse of the Palestinian economy and a growing humanitarian crisis. This period has been tumultuous for Palestinian and Israeli societies alike, and a potential disaster for the peace process.
- The Palestinian Authority's (PA) ability to address the severe problems faced by the population has been negatively impacted by the destruction of PA infrastructure and the lack of internally generated resources. Consequently, much of the burden for addressing the on-going crisis falls to local and international NGOs, and the international donor community. Reform efforts have focused on working with key PA ministries, while at the same time supporting a more dramatic overhaul of PA institutions and operating styles.
- Despite a difficult political and security situation, program implementation continues, albeit with some delays caused by often limited access to project sites and border closures by the Israeli Defense Force (IDF).

- USAID/WBG has achieved significant results across the portfolio, through use of innovative implementation approaches and the dedication of the staff, contractors and grantees, and other Palestinian and Israeli counterparts.
- The Mission has helped to avert a humanitarian catastrophe; initiated efforts to revitalize the Palestinian private sector and to support reform; and maintained infrastructure, institutional and human capacity development programs critical for the formation of an independent Palestinian state.

**Effective Monitoring Given the Security Situation:**

- Because of the security situation, monitoring has been a major concern. As such, the Mission has increased visits to project sites through enhanced reliance on FSN staff and through the expansion of Embassy and Consul General Regional Security Office personnel, which permits our U.S. Direct Hire and Personal Services Contract (PSC) staff to travel to the West Bank and Gaza more frequently.
- We arranged for an IG Risk Assessment and enhance audit activities during the coming year pursuant to the specific recommendations from the IG.
- The Mission has exerted considerable effort to improve bilateral relations with relevant Israeli officials, which has resulted in permits for Mission, contractor and grantee staff to travel more freely between Israel and the Palestinian Territories and has facilitated cooperation generally with respect to project planning and implementation.

**Ensuring That U.S. Money Does Not Go To Groups Or Individuals Involved In Terror:**

- USAID funds its programs through U.S. contractors, U.S. Private and Voluntary Organizations (PVO), Palestinian Non-Governmental Organizations (NGO), and Public International Organizations (PIO).
  - To minimize the risk of Mission resources being used to support terrorist organizations, USAID introduced a vetting process, which has allowed the Mission to continue funding more than 400 Palestinian civil society organizations.
  - All USAID programs are carried out through American contractors, American and international non-government organizations (NGOs) and Palestinian NGOs. Furthermore, working closely with the Embassy's Country Team, USAID carefully checks the references of all Palestinian NGOs who are to be recipients of funds to ensure that there are no links to terrorist organizations or to organizations advocating or practicing violence. These reference checks are periodically updated.
  - USAID and the Country Team preview requests for grants from Palestinian NGOs, purpose of the grant, the NGO's previous experience with managing grants, and the NGO's key personnel—including their dates of birth to avoid false positives in the vetting process. Decisions on whether or not to approve grants to certain Palestinian NGOs are based on the totality of the circumstances.
  - USAID uses this information as part of its due diligence process in deciding which NGOs should receive its grant funds.
- Ensuring That U.S. Money Does Not Go Directly To The Palestinian Authority:**
- Until now, U.S. law has required that no USG funds are obligated or expended for direct assistance to: (a) the Palestine Liberation Organization; (b) the Palestinian Authority; (c) a Palestinian state; nor to; (d) the Palestinian Broadcasting Corporation.
  - The USG has now decided, for the first time, to give direct assistance to the Palestinian Authority. A \$20 million cash transfer will be used to support municipal services and for repair and rehabilitation of municipal infrastructure, such as roads and water works.
  - The U.S. stands solidly behind Prime Minister Abbas. Under his leadership, a constructive change and empowerment of Palestinian governing institutions is underway. His efforts to end terror and violence present real opportunity to move forward on President Bush's two-state vision. Palestinian reform efforts are in progress. Besides having Prime Minister Abbas to work with, Palestinian Authority finances are under the stewardship of Finance Minister Fayyad, and are now largely transparent and therefore, accountable to the Palestinian people.
  - The United States believes it is important to act now to reinforce this positive progress and to signal support for Prime Minister Abbas, Finance Minister Fayyad, and to help them establish their authority on the ground.
  - USAID will keep close track of how these funds are used via ongoing consultations with Minister Fayyad, our Consulate General in Jerusalem, and our USAID presence in Gaza and the West Bank. All parties are well aware that

the prospect of future such direct transfers would depend on the degree of success of this one.

#### INSTITUTIONALIZING PRIVATE PROPERTY RIGHTS

*Question.* What efforts has the agency made to instill the principals of institutionalizing private property rights and leveraging capital in developing countries as propounded by Hernando de Soto and Institute for Liberty and Democracy (ILD)?

*Answer.* USAID has a long and highly productive relationship with the Institute for Liberty and Democracy (ILD) and its director, Hernando de Soto. USAID considers ILD a key partner in its long-standing commitment to improving property rights systems and counts it as one of our major success stories. The relationship began in 1982 when ILD was a fledgling institution and continues up to the present day.

Over these 20 years, USAID has provided approximately \$39 million of financial assistance to ILD. In fiscal year 2003, USAID will provide an additional \$6 million to ILD. A main focus of this effort is the establishment of an International Training Center.

#### ETHIOPIA FOOD CRISIS

*Question.* The news from Ethiopia about the food situation is not encouraging. Could you please describe the U.S. efforts to alleviate the suffering in Ethiopia? Are the Europeans and non-traditional donors (such as China and Russia) doing their fair share?

*Answer.* The U.S. Government has provided over \$400 million in humanitarian assistance to Ethiopia this fiscal year to address both food and other emergency relief needs. The food, health, nutrition, water and sanitation, and agricultural recovery programs supported by the U.S. Government have already saved and will continue to save people from starvation and disease in Ethiopia.

In response to the Ethiopia 2003 appeal for emergency food assistance, the U.S. Government has pledged approximately 878,790 metric tons (MTs) valued at over \$393 million. This represents 57 percent of Ethiopia's total food aid requirements for 2003. Since the onset of the emergency in 2002, U.S. Government food aid pledges to Ethiopia now total over 1,000,000 metric tons valued at approximately \$475 million. The European Community has pledged 283,570 MTs. Other donor countries have pledged an additional 338,786 MTs.

Regarding non-traditional donors, India has provided 10,000 MTs of food aid.

#### FAITH-BASED HEALTH/DEVELOPMENT EFFORTS

*Question.* What is USAID doing to encourage faith-based health/development efforts?

*Answer.* The Bureau for Global Health (BGH) is coordinating its efforts with the newly opened Office of Faith-Based and Community Initiatives (OFBCI) within USAID. In order to effectively address the health needs in the developing world USAID will continue to partner with religious organizations and local community initiatives in an effort to reach areas in a comprehensive manner. The OFBCI is holding regular meetings with the Bureau for Global Health to assess and reach out to new partners.

The BGH is also coordinating with the OFBCI on eight regional conferences, to encourage and reach out to new partners interested in participating in USAID global health programs. These events will be held throughout the United States.

#### QUESTIONS SUBMITTED BY SENATOR TED STEVENS

*Question.* Please provide a chart of agriculture funding.

*Answer.*

CHART OF USAID AGRICULTURE FUNDING 1992-2004

Fiscal year	Dollars in thousands	Fund type	Source
1992 .....	625,277	Obligated .....	Title XII Report
1993 .....	449,535	Obligated .....	Title XII Report
1994 .....	415,258	Obligated .....	Title XII Report
1995 .....	434,530	Obligated .....	Title XII Report
1996 .....	307,825	Obligated .....	Title XII Report



## CHART OF USAID AGRICULTURE FUNDING 1992–2004—Continued

Fiscal year	Dollars in thousands	Fund type	Source
1997 .....	244,754	Obligated .....	Title XII Report
1998 .....	331,231	Obligated .....	Title XII Report
1999 .....	346,365	Obligated .....	Title XII Report
2000 .....	338,104	Obligated .....	Title XII Report
2001 .....	328,985	Obligated .....	Title XII Report
2002 .....	446,303	Obligated .....	Title XII Report
2003 .....	473,877	Allocated .....	USAID PPC/SPP
2004 .....	470,200	Requested .....	2004 CBJ

*Question.* Please provide a breakdown of food aid funds for fiscal year 2003 and fiscal year 2003 Supplemental.  
*Answer.*

## FISCAL YEAR 2003 USAID FOOD FOR PEACE (TITLE II) SPENDING PLAN JULY 2003

Country	Fiscal year 2003 non-emergency	Fiscal year 2003 emergency	Fiscal year 2003 Bill Emerson Humanitarian Trust
Angola <sup>1</sup> .....	\$3,164,400	\$111,012,000	.....
Afghanistan .....	.....	59,464,000	.....
Balkans .....	.....	15,536,000	.....
Bangladesh .....	38,566,000	.....	.....
Benin .....	5,749,100	.....	.....
Bolivia .....	29,011,614	.....	.....
Burkina Faso .....	6,761,300	.....	.....
Cameroon .....	141,609	.....	.....
Cape Verde .....	5,177,900	.....	.....
Central African Republic .....	300,485	.....	.....
Central America .....	.....	10,500,000	.....
Chad .....	3,959,194	.....	.....
Congo .....	.....	2,300,000	.....
Djibouti .....	.....	3,240,000	.....
North Korea .....	.....	50,000,000	.....
Democratic Republic of Congo .....	.....	35,000,000	.....
Egypt .....	2,028,338	.....	.....
Eritrea .....	2,873,400	65,000,000	.....
Ethiopia .....	25,891,089	328,000,000	\$129,173,200
Gambia .....	691,281	.....	.....
Ghana .....	23,214,003	.....	.....
Great Lakes .....	.....	45,000,000	.....
Guinea .....	6,190,200	.....	.....
Guatemala .....	24,930,399	.....	.....
Haiti .....	36,957,200	4,000,000	.....
Honduras .....	8,121,245	.....	.....
India .....	44,774,900	.....	.....
Indonesia .....	14,379,600	17,000,000	.....
Iraq .....	.....	170,000,000	45,785,500
Kenya .....	23,779,600	10,000,000	.....
Laos .....	660,810	.....	.....
Lesotho .....	1,630,635	.....	.....
Liberia .....	1,334,214	.....	.....
Madagascar .....	10,481,038	726,000	.....
Malawi .....	3,287,200	.....	.....
Mali .....	203,089	.....	.....
Mauritania .....	8,652,292	.....	.....
Mozambique .....	17,756,116	.....	.....
Nicaragua .....	13,738,579	.....	.....
Niger .....	10,639,592	.....	.....
Pakistan .....	4,289,936	.....	.....
Peru .....	24,551,900	.....	.....
Rwanda .....	13,369,300	.....	.....
Sahel/Mauritania .....	.....	15,000,000	.....
Somalia .....	.....	20,000,000	.....

## FISCAL YEAR 2003 USAID FOOD FOR PEACE (TITLE II) SPENDING PLAN JULY 2003—Continued

Country	Fiscal year 2003 non-emergency	Fiscal year 2003 emergency	Fiscal year 2003 Bill Emerson Hu- manitarian Trust
Southern Africa .....		150,000,000	
Sri Lanka .....	682,895		
Sudan .....	347,590	100,000,000	
Tajikistan .....		10,000,000	
Uganda .....	19,281,517	57,122,000	
West Africa Regional .....	1,142,000		
West Africa Coastal .....		42,000,000	
West Bank/Gaza <sup>1</sup> .....		10,000,000	
Yemen .....		2,569,610	
Zambia .....	1,500,000		
Personal Services Contractors .....	1,000,000	6,000,000	
Prepositioned Stock .....		30,055,935	
Temporary Institutional Support .....		2,000,000	
International Food Relief Partnerships .....		5,000,000	
World Food Program <sup>3</sup> .....	2,218,830	51,000,000	
Farmer to Farmer .....		10,000,000	
Subtotal .....	446,000,000	1,434,955,935	174,958,700
GRAND TOTAL <sup>3</sup> .....		2,055,914,635	

<sup>1</sup> Pending final country allocations.<sup>2</sup> Fiscal years 2003–2002 ITSH & Unallocated.<sup>3</sup> Includes \$140,380,935 prior year funds & \$174,958,700 from Bill Emerson Trust Drawdown (\$1,880,955,935 in new obligation authority).

## RUSSIA BUDGET

*Question.* As you are aware, the President cut \$75 million from the budget for Russia, leaving a base budget of \$73 million in total aid. I am concerned that such a drastic cut does not take into account the needs of the Russian Far East.

The RFE faces numerous challenges, including limited access to these areas, a lack of infrastructure, a lack of basic amenities like running water, waste disposal and sewer systems, and high rates of fetal alcohol syndrome, alcoholism, and tuberculosis. This is similar to the situation faced by many rural villages in my state.

Given the situation in the Russian Far East, what are USAID's plans for allocating scarce resources to this area?

*Answer.* The anticipated sharp reduction in FREEDOM Support Act funding in 2004, and its implications for future funding, will force us, in consultation with the Assistance Coordinator's Office in the State Department, to make difficult decisions among important activities.

During the phase-out period of our Russia program, we will likely continue to focus on the sustainability of civil society institutions across all sectors that will be instrumental in continuing to push for reforms and for building a democratic society in Russia. We will probably also continue to emphasize our programmatic emphasis on Russia's critical health problems—particularly HIV/AIDS, tuberculosis, and unhealthy lifestyles. In addition, given the resources and development potential of the Russian Far East, as well as its cultural and historic ties to the United States, we anticipate continuing to emphasize programs in this region.

In view of the economic progress Russia has made, most of the proposed budget cuts will likely be borne by our economic growth programs; some are slated for early termination and others will likely be curtailed entirely. In some cases, those cuts are being made in 2003 to ensure that we have the resources for other priority areas in 2004.

## IRAQ RECONSTRUCTION

*Question.* How can smaller companies and 8(A) minority businesses such as Alaska native corporations participate in the rebuilding effort?

*Answer.* USAID is indeed focused on the issue of business opportunities for the smaller companies and 8(A) businesses during the Iraq reconstruction effort.

Under the special authority which USAID awarded the Iraq prime contracts, it was determined in the best interest of the government to seek Small Business Subcontracting Plans from five of the eight contracts awarded. Of those five, the percentages achieved by the prime contractors are extremely promising and evidence that the Agency is determined to raise the levels of small business utilization in its

contract award process. The resulting percentages achieved under the Plan reflect both the Agency's determination and the primes' compliance to significantly increase their draw on qualified small and disadvantaged businesses as reconstruction activities continue in Iraq: IRG (Personnel Support) at 14 percent; RTI (Local Governance) at 30 percent; Abt (Health) at 58.5 percent; Creative Associates (Education) at 30 percent; and RMS (Logistics) at 29 percent. The Agency is also requiring a similar plan under the agriculture contract currently being awarded under full and open competition.

Since USAID does not have privity of contract with any subcontractors, USAID holds the prime contractors responsible for meeting the contractual requirements, as they will select the subcontractors. Although USAID has provided significant and detailed advice on qualifying for a subcontract on the our Agency's own website, our Office of Procurement as well as Office of Small and Disadvantaged Business have encouraged interested entities as Alaska native corporations to contact Bechtel directly through its website where they can register as a qualified candidate for subcontracting opportunities in Iraq. We have been advised that Bechtel will review all electronic applications and determine which will compete on future Iraq projects as they arise.

In USAID's continuing effort to support small and disadvantaged businesses in their drive to qualify for, and succeed in achieving contracts, we are seeking to improve the Agency's capability to track the levels of compliance of the large businesses with their subcontracting plans. We are also working on expanding our current data base of qualified small and disadvantaged businesses from which the large businesses and prime contractors can draw for both Iraq reconstruction projects as well as the Agency's universe of contracting opportunities.

*Question.* In light of the need to create American jobs during this economic downturn, what are your plans to utilize American suppliers, shippers and contractors to rebuild Iraq?

*Answer.* USAID has awarded all of its primary contracts and grants to American firms. However, USAID is also maximizing the amount of Iraqi goods and services to ensure that Iraqis are fully invested in the reconstruction of their own country, which is also consistent with Administration policy.

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#### QUESTIONS SUBMITTED BY SENATOR LARRY CRAIG

##### PEREGRINE FUND

*Question.* During the fiscal year 2002 and 2003 processes, the subcommittee twice provided \$500,000 for The Peregrine Fund's Neotropical Raptor Program. The project is based in Panama and extends throughout the Neotropics.

Although The Peregrine Fund is not as well known as other conservation organizations, it is still one of the most respected. They are best known for the successful recovery of the Peregrine Falcon and Mauritius Kestrel. Their work, however, extends beyond those species and beyond the borders of this country. Domestically, they have projects in Idaho, Arizona, Utah, and Texas. Internationally, they have projects in Greenland, Panama, Mexico, West Indies, Peru, India, Madagascar, Kenya, Papua New Guinea, and other countries. They focus on endangered birds of prey to conserve nature.

Shortly before the Peregrine Falcon was recovered and removed from the Endangered Species List, The Peregrine Fund drafted Raptor 2100, the organization's strategic plan for the 21st Century. The objective of this plan is to conserve the world's 296 species of diurnal birds of prey. The importance of the Neotropics is obvious since the Neotropics is home to 91 of these species.

The partnership between USAID and The Peregrine Fund dates back several years with projects in Guatemala and Madagascar. The Cooperative Agreement with USAID for the Neotropical Raptor Program was signed in September 2002. The purpose of this agreement is to establish hands-on conservation programs in critical areas of interest to USAID and to help ensure the long-term sustainability of biodiversity conservation through capacity building in the region.

The Cooperative Agreement requires The Peregrine Fund match the \$500,000 provided by the subcommittee and USAID with an additional \$125,000. I am pleased to say that The Peregrine Fund matched these funds with an additional \$600,000 in fiscal year 2002 and \$600,000 in fiscal year 2003.

Highlights from the first eighteen months of the agreement include:

—Completed educational needs and methods assessment in the Panama Canal Watershed and Darien Province.

- Designed and implemented environmental education programs among target communities near release sites in the Panama Canal Watershed, forest frontier communities in Darien, and the general population of Panama.
- Recruited and trained seven indigenous Ember and Wounaan parabiologists in the Darien Province of Panama.
- Completed the first-of-its-kind Neotropical Raptor Conference that brought together 150 raptor conservation practitioners and decision makers from 16 countries.
- Established Harpy Eagle captive propagation program, with 17 eagles hatched and 13 released to date, and staff undergoing training in raptor food production, raptor propagation, and raptor release techniques. Worldwide, only 15 other Harpy Eagles have ever hatched in captivity.
- Implemented monitoring programs for two highly endangered species of raptors on Grenada and the Dominican Republic.

I have been told that during briefings before staffs of this subcommittee that USAID has not been complimentary about this project. “Unproductive” and “not providing the agreed upon cost share” are two of the comments that have been reported to me.

The conclusion I reach when I review the quarterly reports and financial status reports provided by The Peregrine Fund to USAID is different. The results and cost share significantly exceed the contractual obligation.

Please elaborate on these comments. What was said about the projects and the basis from which it was said? Did you discuss these views with the project manager at The Peregrine Fund? If not, why not? If so, what was their response? Which individuals from USAID in DC have visited the project’s headquarters? Any other locations? Any plans to visit?

Answer. Latin America and Caribbean Deputy Assistant Administrator Karen Harbert has had discussions with Senator Craig’s staff on these issues. The Assistant Administrator of Latin America and the Caribbean, Adolfo Franco, recently visited the Peregrine Fund in Panama. The Latin America Bureau recently hosted a meeting with the Vice-President and Program Manager of the Peregrine Fund in Washington to discuss this year and future year funding.

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#### QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

##### IRAQ RECONSTRUCTION

*Question.* We were given the impression, before the war, that the Administration was prepared to move quickly to address the immediate relief and reconstruction needs. In fact, OMB, USAID, the Pentagon and State Departments were very upbeat about their plans to avoid some of the mistakes we saw, and continue to see, in Afghanistan.

I don’t want to diminish what has been done, but clearly the Administration has not met expectations. The humanitarian crisis that some predicted did not happen, but there are still many Iraqis without electricity, shelter, telephone service, gasoline, or other basic necessities that many of them had before the war. Law enforcement seems to be virtually non-existent. How do you explain this?

Answer. Despite challenges associated with security and looting, as of July 6 national electrical generation was at 3,100 MW about 75 percent of the pre-war highest level. A key 400 kv line from Bayji to Baghdad West was repaired and re-energized allowing excess power from the North to be sent to Baghdad. High tension lines between Baghdad and Basra remain down, preventing excess power from the South from reaching the capital. Electricity in northern and southern Iraq has been restored to pre-conflict levels and connected areas experience 24-hour availability. Electricity availability in central Iraq is at 1,350 MW, against an estimated current demand of 1,900 MW.

USAID has received reports that gas station lines in Baghdad are much shorter and on June 5, gasoline distribution exceeded pre-war levels of 5–5.2 million liters/day, with 5.5 liters delivered. Reports from other cities such as Kirkuk indicate that fuel lines are almost non-existent.

##### IRAQI CIVILIAN VICTIMS

*Question.* Thousands of Iraqi civilians were killed or injured, or had their homes damaged or destroyed, in the war, many as a result of U.S. bombs. In the Supplemental, Congress included the following language:

"[\$2.4 billion is appropriated for Iraq relief and reconstruction in Iraq] including . . . for assistance for families of innocent Iraqi civilians who suffer losses as a result of military operations . . ."

The Statement of the Conferees reads as follows:

" . . . The managers intend that USAID and the Department of State, in coordination with the Department of Defense and nongovernmental organizations, will seek to identify families of non-combatant Iraqis who were killed or injured or whose homes were damaged during recent military operations, and to provide appropriate assistance."

This language is modeled on what we did in Afghanistan, where we are trying to relieve some of the suffering and the anger and resentment resulting from our mistakes. I don't know if you saw the May 10th NY Times article, "For Family That Lost 10 to Bomb, Only Memories and Grief Remain", but I would encourage you to read it.

Would you get back to me or my staff with a strategy to implement the law, so we can show that we are not turning our backs on these people?

Answer. USAID is applying lessons learned from its experiences in Afghanistan to apply to Iraq, including assistance in the repair of damaged infrastructure based on community participation and prioritization. USAID has a number of mechanisms that are available to assist civilian victims, including its Community Action Program and infrastructure reconstruction efforts that address health and education facilities. Mission staff is actively assessing an appropriate strategy and will be consulting with the Office of Coalition Provisional Authority.

#### ARAB OPINION OF AMERICA

*Question.* Last year, this subcommittee held a hearing on democracy programs. One of the issues we discussed was the low opinion of the United States held by many in the Arab world. We found it both deeply troubling and somewhat baffling, given that there is strong support in many Muslim countries for American culture and technology.

I know that we have launched the Middle East Peace Initiative, increased our public diplomacy, and reviewed our aid programs to these countries to make them more effective.

In spite of this, the situation seems to be getting worse, not just in the Middle East but in Muslim countries everywhere. A new Pew poll found that Arab hostility towards the United States is on the rise, including in key—and moderate—nations like Turkey, Indonesia, and Jordan. For example, when asked who they have more confidence in, President Bush or Osama bin Laden, 55 percent of Jordanians favored bin Laden and only 1 percent favored President Bush. In Indonesia it was 58 percent to 8 percent.

Why do you think we are losing the battle of hearts and minds in the Arab world?

Do you think these programs be effective if there is no resolution to the Israeli-Palestinian conflict?

Answer. We defer this question to the State Department.

#### MILLENNIUM CHALLENGE ACCOUNT

*Question.* \$1.3 billion of the President's fiscal year 2004 budget is for the first installment of the new Millennium Challenge Account. I support this, although I do not agree with the White House's plan to create a new corporate bureaucracy to manage it. Who would implement these programs?

Answer. The MCA is still a legislative proposal and as such a number of the details await definitive legislative treatment. Nonetheless, the Administration has given a great deal of thought to how the MCC could be best implemented.

MCA programs would be founded on a partnership and be very focused on one or two key strategic objectives that the country has identified as its top priority to stimulate growth. In order to develop a proposal, the MCA would ask countries to engage in a consultative process with all the relevant civil society and private sector groups. One of the central principles of the MCA is that it be a transparent process from start to finish. This is why it is important that the initial phase of developing a country proposal set the tone and foundation for the development partnership. While the process may vary considerably from country to country, the themes of transparency and country leadership and ownership of the proposal are critical.

In some cases, technical assistance may be required to help a country develop a proposal, which the MCC could offer. However, the country would be managing the process; it would not be a case of the MCC hiring consultants to develop a proposal it wants.

If a country's proposal is selected, a country contract would be negotiated between the MCC and government. This does not imply that those funds would only go to the government. To the contrary, it is anticipated that MCC funds would go to a variety of national and community actors and alliances. However, the government would sign the agreement with the MCC and have overall responsibility for managing and overseeing the contract. The reason a contract approach was chosen was to underscore that both parties have an obligation to meet the terms and conditions outlined in the contract.

The Administration anticipates that MCC funds would mobilize a variety of economic actors in each country; to the extent that a development result requires a public sector investment (schools or roads), funds would be channeled through the government. However since economic growth inevitably depends on the activities and investments of the private productive sectors, community groups and civil society organizations, the Administration expects that these institutions would also participate, and even implement the bulk of the investments. In all cases, the Administration expects that MCC funds would be disbursed directly to the institutions implementing activities under the MCC contract through the most flexible, but accountable mechanisms.

If a country selected for MCC funding has a USAID mission and program, USAID would likely undertake a strategic review of the program. In many cases, the USAID program would likely transition to support the MCC contract. Some programs, such as those fighting HIV/AIDS or trafficking in persons, might well be continued, while others might logically be phased out or incorporated in the MCC program. Indeed, one of the ways that USAID would complement the MCC is that USAID has the ability to address regional issues, such as disease, water resources, transport linkages, etc., that the MCC, by virtue of being country-specific, cannot.

One of the basic premises for implementation of the MCC is that it should be demand-driven. The Administration does not want to prescribe the mechanics of how activities would be implemented. The Administration anticipates that this would vary considerably from country to country, knowing there are no "cookie-cutter" approaches that would work across the board. However, the goal would be to employ simple implementation mechanisms that require less oversight and less U.S. management than traditional projects. There are a variety of mechanisms for spending the funds, such as contracts or grants, but these could be managed by the host country, following their policies and procedures.

Because the management approach of the MCC would be to employ local institutions for country development, it is appropriate that the MCC, too, rely heavily on strong local institutions for the in-country expertise it requires. Economic and financial analysis of specific MCC investments can be contracted locally. Technical advisory services to the MCC can be contracted locally. Monitoring and evaluation can largely be contracted locally. Therefore, the Administration anticipates that the full-time presence of U.S. Government employees needed to manage the MCC could be significantly reduced.

Even though the Administration envisions a strong reliance on local institutions, there would still be a need for limited MCC staff presence in the field to facilitate, manage and oversee the partnership. Due to the limited staffing, the Administration anticipates that the Ambassador and Embassy staff would play a strong supportive role of the MCC. We also believe that USAID field staff, with its development expertise and knowledge of local culture and context, would play a key role in supporting the MCC.

USAID presence in the field has rightly been repeatedly recognized as its strongest suit. Thirty years of development experience has taught the Agency that country context matters a great deal. USAID's very capable field Missions could provide critical support to the MCC, helping to work with local partners, finding creative, local solutions to problems, and generally facilitating the work of the MCC. The basic USAID activity in many of the likely MCA countries has been knowledge transfer and building local capacity and institutions. In some cases, continued USAID programs in institution building might be necessary for a time to further build country capacity to manage MCC programs and resources. USAID anticipates having a key role in supporting MCC programs, USAID does not want to adopt a black or white approach to how it would relate to the MCC in every country; rather we think each country would need to be reviewed on a case-by-case basis.

*Question.* This is supposed to be new money, yet both the Child Survival and Health Programs account and the Development Assistance account, are being cut in the President's budget. How do you explain this?

*Answer.* The MCA reflects a key part of President Bush's historic commitment to increasing foreign assistance. The President's national security strategy placed unprecedented emphasis on the role of development as a tool of foreign policy. This

emphasis is reflected in his budget for foreign affairs. In his fiscal year 2004 Budget, President Bush requested \$28.516 billion for the Function 150 Account, an 11 percent increase over \$25.652 billion for the fiscal year 2003 Request. The fiscal year 2004 request for the Child Survival account is higher than the request for fiscal year 2003. With respect to Development Assistance, it is anticipated that activities in this account would be complemented by the MCA and the Famine Fund and would improve the overall delivery of effective foreign assistance.

*Question.* I also have questions about eligibility for the Millennium Account. Countries must show that they are taking serious steps to combat corruption, support health and education, and good governance. That makes sense. But a country like Brazil would not be eligible for the MCA because its per capita income is too high. Brazil is a country of 100 million people of immense importance to the United States, where a small percentage of the population is very rich and the vast majority is desperately poor. Shouldn't we look at ways to use the MCA to promote better policies in regions or states of a country with such serious needs, and of such importance to the United States, as Brazil?

*Answer.* MCA is part of an unprecedented and concerted commitment of President Bush to increase and improve the effectiveness of foreign assistance. It is the President's intention that the MCA, if enacted, would focus on the poorest countries. In the first year of the MCA, the President proposed that only the world's 74 poorest countries, those that have a per capita income of \$1,435, and that are eligible for the soft window of the World Bank, would be considered for the program. That is because the MCA is targeted on spurring growth in the best performing poorest countries, providing the level of resources that can really make a difference in moving them to a higher growth trajectory. It will rely on country institutions—investors, business people, political leaders and civil society—to design and lead the economic growth of the country. MCA, as proposed, would therefore only assist a limited number of countries. That leaves the large majority of the developing world to USAID and other agencies and actors. Since the MCA has not yet been enacted, countries have not yet been selected so it is unclear if Brazil would qualify for MCA assistance. Nonetheless, assuming Brazil would not qualify for MCA, the country would still receive assistance from USAID.

#### DEVELOPMENT ASSISTANCE

*Question.* Despite the \$2.5 billion increase above the fiscal year 2003 level, the President's fiscal year 2004 budget request would cut funding for the Development Assistance account by \$35 million. This account funds everything from agricultural research to children's education to environmental conservation to democracy building. It funds the bulk of USAID's programs to alleviate poverty. How do you justify cutting these programs? The total amount requested for Development Assistance for fiscal year 2004 is \$1.345 billion. That is less than my tiny State of Vermont spends on public education. Do you believe that this is enough for the richest, most powerful country in the world to spend on combating global poverty?

*Answer.* In his fiscal year 2004 Budget, President Bush requested \$28.516 billion for the Function 150 Account, an 11 percent increase over \$25.652 billion for the fiscal year 2003 Request. This commitment reflects President Bush's strong support for programs to assist those less fortunate overseas. USAID's Development Assistance funding will be complemented by other presidential initiatives such as the Millennium Challenge Account (\$1.3 billion requested) and the Famine Fund (\$200 million requested) to assist in the effort to combat global poverty and its ill effects.

#### COMPLEX EMERGENCY FUND

*Question.* Among the increases is \$100 million for an emergency fund for "complex foreign crises." Are you familiar with this? Isn't it essentially a blank check? What limits would there be on the use of this fund? Could it be used for weapons?

Since the President has asked for this authority "notwithstanding any other provision of law," what is to prevent the fund from being used to supply weapons to an autocratic government that violates human rights?

Between the Peacekeeping Operations, Refugees, and Disaster Assistance Accounts, it seems like the Administration already has broad authority to respond to the complex foreign emergencies. What would this fund allow you to do that you can't already do?

*Answer.* As the President's fiscal year 2004 budget states: This is a proposal for a new appropriation that is intended to assist the President to quickly and effectively respond to or prevent unforeseen complex foreign crises by providing resources that can be drawn upon at the onset of a crisis. This appropriation will be used to fund a range of foreign assistance activities, including support for peace and

humanitarian intervention operations to prevent or respond to foreign territorial disputes, armed ethnic and civil conflicts that pose threats to regional and international peace, and acts of ethnic cleansing, mass killing or genocide. Use of this appropriation will require a determination by the President that a complex emergency exists and that it is in the national interest to furnish assistance in response. This appropriation will not fund assistance activities in response to natural disasters because existing contingency funding is available for that purpose. (Source: Budget of the United States Government, fiscal year 2004—Appendix: International Security Assistance, pp. 906–7).

#### FOOD AID AND FAMINE

*Question.* During the consideration of the last two appropriations bills—the Omnibus and the Iraq Supplemental—I worked with Senators Nelson and Kohl to attach two amendments that added over \$1 billion dollars to help address food shortages, especially Africa.

Unfortunately, during the conferences on these bills, the House majority, working with OMB, knocked out \$500 million of this badly needed food aid funding. What would USAID do with an extra \$500 million in food aid? Could it be put to good use, for instance, in Ethiopia?

*Answer.* The United States remains far and away the largest donor of emergency food aid in the world. USAID targets its emergency food aid to the most severely affected populations worldwide. In the past 18 months, the Administration has provided 500,000 metric tons of emergency food aid to Southern Africa. This year, U.S. donations to the Horn of Africa will reach about 1 million metric tons. The President's budget reflects a careful prioritization among the competing demands for international humanitarian assistance. The President's request for fiscal year 2004 retains our commitment to addressing the most severe and critical emergency food aid needs. In addition to the requested Public Law 480 Title II resources, the President has proposed a new \$200 million Famine Fund specifically designed to provide a new, flexible tool to meet dire, unexpected famine needs. The Bill Emerson Humanitarian Trust is available to meet unanticipated needs.

*Question.* I recognize that the Administration has requested \$200 million for a new Famine Fund. I strongly support this request. However, wouldn't the Famine Fund be more effective if the President's request did not cut more than \$300 million from the Disaster Assistance and Title II food aid budget that could be used to augment resources of the Famine Fund? Aren't we just moving money around?

*Answer.* Regarding your questions on food aid and famine, the Administration believes that the \$1.185 billion Public Law 480 Title II request for food aid will enable the United States to meet its fair share of anticipated worldwide emergency, protracted relief and recovery, and non-emergency food aid requirements. The President's combined request for Public Law 480 Title II and the Famine Fund for fiscal year 2004 represents an increase in USAID-managed food aid resources of over 16 percent compared to the fiscal year 2003 President's request. The Bill Emerson Humanitarian Trust is available to meet any significant unanticipated emergency food aid needs. The additional authority the Administration hopes to receive with the Famine Fund will provide it with the necessary additional flexibility to respond more effectively to famine threats than is currently possible.

*Question.* What will the President's budget request mean for U.S. contributions to world food needs, compared to historic levels for U.S. contributions of 33–50 percent? What percentage of total contributions will the President's budget provide?

*Answer.* The President's budget request was based on a review of projected 2003 emergency needs and emergency trends for the past several years. Exclusive of Iraq, if worldwide emergency food needs remained static, the fiscal year 2004 Title II budget request would provide sufficient food aid resources to meet approximately 28 percent of worldwide emergency, protracted relief and recovery needs. Resources will benefit drought victims, internally displaced populations, refugees, and other food insecure groups. The Administration also considers the Bill Emerson Humanitarian Trust as a viable tool for unanticipated humanitarian food needs, as has been evidenced in its effective use in fiscal year 2002 for the Southern Africa drought response and in fiscal year 2003 for Ethiopia drought relief and Iraq post-conflict support.

#### UGANDA

*Question.* Mr. Natsios, what do believe that it will take, in terms of diplomatic capital and foreign assistance funding, to obtain a peaceful resolution to the conflict in Northern Uganda that involves the Lord's Resistance Army and Government of



Uganda. Please discuss specifics such as staffing needs, types of additional assistance, or legislation that may be helpful in resolving this crisis.

I have been informed that USAID plans to spend \$1.4 million in emergency relief to the northern areas. Is this correct? Do you believe that this is sufficient?

Answer. The longstanding conflict in northern Uganda has its origins in ethnic and political conflict going back to Uganda's earliest years as a nation. The Lord's Resistance Army (LRA) leadership is erratic and its objectives obscure. So in spite of the efforts of many well-intentioned parties, the situation is as bad as ever. Nevertheless, the United States is now committed to redoubling our efforts, and we are working to see if we can help bring about a better situation for the people in northern Uganda.

USAID has responded to this humanitarian crisis with both food and disaster assistance, as well as development assistance resources to support a northern Uganda peace effort. The U.S. Ambassador in Uganda and the USAID Mission Director are coordinating their efforts to develop confidence-building measures between the Government of Uganda and the Lord's Resistance Army to work toward a peaceful settlement to the current conflict. USAID staff in Washington and the U.S. Department of State are also working closely together to support our diplomatic and foreign assistance efforts with personnel and financial resources.

USAID/Uganda's strategic development assistance interventions in the northern and western districts of Uganda aim to mitigate the impact of conflict and increase community resilience through humanitarian and relief-to-development assistance. USAID's \$16 million Community Resilience and Dialogue activity, which began in September 2002 and will continue through 2007, assists the victims of conflict and torture including communities living under threat of attack, families that have moved to internally displaced persons (IDP) camps, current and former abductees, and ex-combatants taking advantage of amnesty. USAID/Uganda and the Government of Uganda have plans to begin a National Reconciliation Dialogue to explore the roots of Uganda's various conflicts and how to move Uganda beyond its cycle of mistrust among certain groups. USAID/Uganda currently has sufficient resources to do this under its Community Resilience and Dialogue Program.

In fiscal year 2003, USAID's Africa Bureau has provided an additional \$538,000 to fund full-time staff, third-party mediation efforts, and conflict resolution activities. In the future, additional development assistance resources will be needed to fund a program that will provide expertise to the Government of Uganda on negotiating a peaceful settlement with the LRA. This technical assistance would support the Government of Uganda's Presidential Peace Team to effectively engage the LRA.

In response to the humanitarian crisis in fiscal year 2003 as of July 1, USAID Office of Foreign Disaster Assistance has provided over \$3.7 million in emergency humanitarian assistance to Uganda in the sectoral areas of emergency health, nutrition, water and sanitation. Working through nongovernmental organizations, OFDA has assisted affected populations in Gulu, Kitgum, Pader and Lira districts. In addition, USAID/OFDA has provided funds to the American and Ugandan Red Cross Societies and the United Nations Office for the Coordination of Humanitarian Affairs to support general assistance programs and the coordination of activities throughout the region.

USAID's Office of Food For Peace has also provided 81,660 metric tons (MT) of Public Law 480 Title II emergency food assistance, valued at \$50.1 million, through the World Food Program to meet immediate food needs. This amount is more than triple the fiscal year 2002 spending level of \$15.3 million. As a result of the caseload in the north and the southern drought, the caseload has jumped dramatically from 250,000 to 1.3 million people. The majority, 800,000 beneficiaries, are in the north and the remaining 500,000 are in the drought-stricken Karamoja region in the Northeast.

In the event of a peaceful resolution to the conflict, additional development and humanitarian resources would be required to meet the needs of demobilization and reintegration of populations affected by the conflict. Resource levels will be determined by needs assessments and conditions on the ground.

#### SUDAN

*Question.* Additionally, what resources will you need to do quick impact programming in Sudan to help facilitate peace there?

Answer. USAID is currently developing plans, jointly with the Sudanese parties and other donors, to address the funding needs of a quick-impact program after a peace agreement is signed. Any peace agreement must be followed by quick-start activities of rapid visible benefits to communities, rehabilitation of basic infrastructure and services, assistance to returning internally displaced persons (IDPs) and

refugees, and support of the new southern entity governing the South. We welcome congressional interest in this matter and look forward to further communication as plans develop.

#### WOMEN IN DEVELOPMENT

*Question.* Year after year, the Congress has recommended \$15 million for USAID's Office of Women in Development, but USAID has consistently funded the Office at only about \$10 million. This year I am told you have cut it to \$6 million. What do we have to do to get the funds for this office that we believe it needs? Should we earmark it?

*Answer.* The budget allocation for WID for fiscal year 2004 reflects the realignments necessary to accommodate the overall budget reductions for the EGAT bureau. This will not adversely affect WID field operations because the new "Gender Matters" indefinite quantity contract (IQC) insures that field missions will have expanded access to gender-related technical assistance.

#### CHILD SURVIVAL AND HEALTH PROGRAMS

*Question.* As I mentioned in my statement, the President has received justifiable praise for signing the AIDS authorization bill. But at the same time his budget would cut key foreign aid programs. As I said on the Senate floor 10 days ago, funding for vulnerable children is cut by 63 percent, funding to combat other infectious diseases besides AIDS is cut by 32 percent, Disaster Assistance is cut by 19 percent, and Development Assistance is cut by 3 percent. There are also cuts in food aid, refugee assistance, and other global health programs.

In response to my remarks, the White House spokesman said I was making an "apples and oranges" comparison and that the Administration has proposed programs that would accomplish some of the same goals. Can you explain what he meant? Wasn't the MCA supposed to be new money?

Do you support these cuts, at a time when SARS is showing, once again, how vulnerable we are to infectious diseases that originate half way around the world?

*Answer.* The foreign assistance budget request reflects an attempt to maintain a balance between health and other important development areas. Within our parameters, our fiscal year 2004 request for health programs has increased compared to our fiscal year 2003 request.

At the same time, the Administration has made HIV/AIDS its highest health priority. This, unfortunately, has meant a reduction in funding for child survival, maternal health and infectious diseases from previous years. To minimize the impact of lower funding, we will continue to work with partners in the public and private sector to leverage efforts, and focus on populations most in need and on the most effective interventions. In infectious disease we would protect globally important core programs in TB and malaria—given the tremendous burden of these diseases.

SARS, for the time being, is still a new outbreak requiring investigation and emergency control, rather than a developmental issue. Our priority must remain focused on addressing TB and malaria, which kill millions each year and devastate families, communities and local economies. Nevertheless, SARS clearly demonstrates that health challenges and epidemiology will continue to change, and highlights the importance of planning and flexible and sufficient funding to address these changes quickly and effectively.

#### HIV/AIDS

*Question.* Mr. Natsios, the HIV/AIDS authorization bill that the President signed recently recommends that funding to combat HIV/AIDS be allocated as follows—55 percent on treatment; 15 percent on care, and 20 percent on prevention. In addition, one-third of the amount of the money for prevention must be spent on abstinence programs.

How is [this] different from the way in which the Administration currently spends funds on HIV/AIDS programs? Do you support these percentage earmarks? Why not 50 percent, 10 percent and 30 percent? Why not earmark all your health programs like this?

The bill also establishes an AIDS "Coordinator" for all the U.S. Government's international AIDS activities. But rather than just be a coordinator, this person would have the final say over how every dollar is spent, including USAID's budget for AIDS, TB, and malaria. Why does this make sense?

*Answer.* USAID's HIV/AIDS programs have been traditionally prevention-focused. However, in recent years, we have begun to integrate significantly more care and treatment into our programs. The availability of care options is essential in order for people to agree to voluntary testing and counseling. With major declines in the

price of antiretrovirals (ARVs), and with greatly increased worldwide support for ARVs, we are now adding ARV treatment to the care programs we have been supporting for some time. While this will increase our treatment budget, it does not necessarily diminish our focus on prevention.

As you know, the needs are great in all areas of prevention, care and treatment. The scope and “maturity” of the epidemic, and the available resources from the Global Fund, other donors and host governments vary by country. There is, then, variation in the balance of need between these categories in different countries. USAID, therefore, seeks the greatest possible flexibility in deciding how to program its funds, and would prefer not to have to adhere to strict percentages in administering these funds on a country-by-country basis, but can meet these percentages overall.

Assisting in the international struggle against HIV/AIDS does have foreign policy implications, and needs foreign country expertise. The State Department, therefore, is the right place for coordinating and overseeing these efforts. Further, a single AIDS coordinator can facilitate division of responsibilities among the increasing numbers of U.S. agencies involved in the fight against HIV/AIDS. For over a decade, USAID was the only U.S. Government agency fighting the pandemic internationally. In recent years, however, the Departments of Health and Human Services, Defense and Labor have all joined the fight. More resources and expertise are what we need in this complex battle. Finally, the coordinator model for the SEED and FSA account funds has been successful, and we believe such a model for HIV/AIDS would be equally successful.

#### FISCAL YEAR 2004 BUDGET REQUEST FOR FORMER SOVIET UNION

*Question.* The President’s fiscal year 2004 budget request would cut funding for the former Soviet Union from \$755 million to \$576 million. Aid to Russia would fall from \$148 million to \$73 million. I know of many USAID programs to promote legal reform, improve health care, combat organized crime, improve market-based agriculture, clean up toxic pollutants, and other initiatives that will be shut down because of this cut. Does that make sense to you?

*Answer.* Part of the apparent large cut in the overall fiscal year 2004 request for Freedom Support Act (FSA) assistance reflects a shift in funding for educational and professional exchanges from the FSA account in the Foreign Operations appropriations request to the Bureau for Educational and Cultural Affairs line item in the Commerce, State, Justice appropriations request.

The lower request level also recognizes, particularly for Russia, progress already achieved on reform, especially economic reform. Programs in this area will likely be phased out over the next several years.

We realize that Russia continues to face challenges in democratic development. We are developing a strategy to phase out FSA assistance to Russia over the next several years that will seek to ensure a legacy of sustainable institutions to support civil society and democratic institutions. During this time, we will increasingly focus on democracy and rule of law to ensure that we consolidate and sustain the progress made over the past decade. We will seek to advance structural changes that are needed to create a hospitable environment for Russian civil society.

FSA technical assistance programs have played a vital role in advancing progress toward rule of law in Russia, including vital support for the professionalization of Russian court administration and judicial training; emphasis upon the importance of judicial ethics (resulting in more openness by the Russian courts concerning disciplining of judges); reform of law school curriculum, including introducing and supporting clinical legal education; and supporting every aspect of the development of the new criminal procedure code, which has drastically changed the roles for Russian judges, prosecutors and defense attorneys. As another example, legal volunteers from Vermont, including judges, practicing attorneys, and staff of Vermont Law School, have worked with the Republic of Karelia on a professional development program for Karelian judges, legal educators, and practicing lawyers. Our focus is now on helping the Russian bar consolidate the gains it has made, particularly by sponsoring professional education events to help the bar hone its advocacy skills.

In 2001, an interagency task force identified health as one of the three priority areas for FSA assistance in Russia. Russia’s growth rate in HIV/AIDS in 2001 was one of the fastest in the world. Multi-drug resistant TB is another serious problem, particularly in prisons. Funding for health programs has increased over the last two years and we plan to continue these programs for some years to come.

Some anti-crime activities that had been funded under FSA, such as programs to combat organized crime and money laundering, will likely continue, perhaps at different levels, with alternate funding sources.

Our strategy is not yet complete, so we don't have all the answers. But we are determined to help Russia preserve the remarkable gains it has made since 1992 and to complete the transition into a market-based democracy.

#### RENEWABLE ENERGY

*Question.* There are more than 2 billion people in emerging markets without electricity. There is an enormous opportunity for U.S. companies that could help develop renewable energy resources to serve their needs. Just as an example, I'm told that there is a \$700 billion global market to supply small hydropower technology and know-how over the next few years.

While USAID seems to give a lot of attention to the oil and gas areas within the energy sector, renewable and clean energy technologies have not enjoyed the same strong support by USAID even though congressional intent has been clear. Last year, we provided \$175 million for energy conservation, energy efficiency, and clean energy programs. Are you using any of this money for oil and gas development? What steps are you taking to ensure that these funds are used to promote a wide range of renewable energy sources?

Last year we required the President to submit a report on greenhouse gas emissions, as we have in past years, "not later than 45 days" after the President's submission of his fiscal year 2004 budget request. We should have received that report already. Do you have any idea where it is?

*Answer.* For fiscal year 2003, Congress directed USAID to spend \$175 million on global climate change mitigation and adaptation, energy conservation, energy efficiency, and clean energy programs. The report containing information on how USAID is complying with this directive is currently at OMB. The energy expenditures for this directive total \$94.4 million which includes transfers to DOE and NRC. USAID's energy assistance programs focus on three critical policy dimensions of the energy sector: improved governance of the energy sector; enhanced institutional capacity of public, private and non-governmental energy sector participants, and increased public understanding of, and participation in, the energy sector. Creating the conditions for economic growth and poverty reduction requires increasing access of people and business to modern energy, and increasing the affordability of energy for consumers. This access and affordability, in turn, requires a transformation of energy markets for all energy technologies. Such market transformation involves changing the foundation of the sector from politics to market economics and in improving the effectiveness of government, private sector, and consumer institutions in terms of management practices, technical operations, resource use, and energy consumption. Therefore, our energy governance programs benefit all fuel sources, including oil, gas, as well as renewable energy and energy efficiency. Our programs in the oil and gas sector are modest and include developing legal and regulatory frameworks and some pilot scale oil field clean up activities in Kazakhstan. With respect to renewable energy sources, USAID funds activities that ensure that reformed energy sectors pay particular attention to all clean energy technologies and incorporate clean technologies and alternative energy into the mix. USAID's programs seek to overcome market and institutional barriers to increasing access to energy in rural areas and encouraging widespread adoption and use of clean and renewable energy systems to meet development needs. Elements include: supporting policies, technologies and business models that result in increased access to modern energy services in underserved areas; fostering implementation of policy or regulatory changes that clarify or establish rights and incentives for the cost-effective utilization of clean and renewable energy resources and technologies; mobilizing business entities to pursue clean energy projects; leveraging financial commitments to clean energy sources; and catalyzing the establishment or strengthening of host-country institutions for the explicit purpose of promoting clean and renewable energy to meet rural development needs. This program directly supports the White House Signature Clean Energy Initiative's (CEI) and the Global Village Energy Partnership (GVEP). Our programs make extensive use of Cooperative Agreements with U.S. NGOs that partner with in-country institutions, Letter Grants with international development organizations and multi-lateral development banks, Inter-Agency Agreements with other USG agencies (DOE labs, EPA, USDA), and works closely with other USG agencies (State and Commerce).

## ENERGY PROGRAMS

*Question.* I have worked with Senator Byrd and others to open and expand international energy markets and export U.S. clean energy technologies to developing countries. These efforts help meet our national and international energy needs as well as address related trade and environmental objectives.

The Clean Energy Technology Exports Initiative can help meet that challenge. This bipartisan initiative had its genesis in the Senate Appropriations Committee, and could aid in meeting other nations' infrastructure and development needs while also increasing the deployment of a range of clean energy technologies, including renewable, energy efficiency, clean coal, and hydroelectric technologies. The Administration has talked about this, but little has been done.

I assume you agree that it is in the long-term strategic interest for the United States to help open and expand international energy markets and export a range of U.S. clean energy technologies?

Are you aware that USAID is a leading agency involved in the implementation of the Clean Energy Technology Exports Initiative? How you are working to fulfill your agency's mandate under the Initiative's strategic plan?

What actions is USAID taking to work with other federal partners and non-governmental organizations, private sector companies, and other international partners to implement this plan?

*Answer.* USAID, the Department of Energy, and the Department of Commerce, working in collaboration with U.S. industry, spearheaded the preparation of a five-year strategic plan for a clean energy technology exports (CETE) program. A draft of the five-year strategic plan was completed and submitted to the U.S. Congress. The strategic plan outlines a program to increase U.S. clean energy technology exports to international markets through increased coordination among federal agency programs and between these programs and the private sector. While supplemental legislation to fund the five-year plan has not been forthcoming, CETE Agencies have used the strategic plan as a basis for reconciling inter-agency relations in a way that emphasizes institutional strengths and avoids overreaching for areas not in Agencies' missions.

## COFFEE CRISIS

*Question.* As you know, the rapid decline in the price of coffee has had a devastating impact on economies of developing countries, especially in Latin America. The coffee price crisis has also hampered our foreign aid and counter-narcotics efforts. The President of Colombia wrote a letter to me making the connection between the coffee price crisis and our foreign aid programs.

In November 2002, the House and Senate passed bipartisan resolutions urging the Administration to come up with a global, coordinated strategy to deal with this crisis. What progress has been made in formulating this strategy? Is USAID involved?

*Answer.* The Department of State is leading an interagency USG effort to prepare a strategy on the coffee crisis. USAID is a member of the drafting committee. A discussion draft has been completed and circulated through an inter-agency review process. It is scheduled to be submitted to the Deputies meeting hosted by the National Economic Council the week of July 21.

## UNIVERSITY REQUESTS

*Question.* We developed a new approach that USAID strongly supported and which I believe you are familiar with. Unlike in the past, we no longer specify which university requests USAID should fund, nor do we specify a recommended dollar amount. We do list the university proposals which we believed deserve serious consideration.

Unfortunately, it has not turned out as we had hoped. Universities are still getting the run around. First, assuming they can locate someone who can give them an answer, they are told that Washington makes the decisions. Then they are told that the missions make the decisions. This goes on until the universities eventually give up, USAID declares victory, and we get the complaints.

I think we may have no choice but to earmark a pot of money for these programs. We tried to help you, but it has not worked out. Do you have anything to say?

*Answer.* We believe that the new Agency approach to managing university requests is working well. We have processed 68 university proposals (from 58 higher education institutions), which are listed on the House and Senate Reports. A summary of this approach and a status report on the 68 proposals follow below.

Two years ago USAID established a Higher Education Community (HEC) Liaison position in its Office of Education in the Bureau for Economic Growth, Agriculture and Trade. Martin Hewitt now serves as the HEC liaison and is the key point of contact for universities seeking information and advice on the opportunities and programs within USAID.

For tracking and management of unsolicited concept papers and proposals, the HEC Liaison is supported by a working group within the Agency. This working group is composed of representatives from the regional and technical bureaus. The working group shares the responsibility for either reviewing the proposal in the regional or technical office (if the proposal is technical or sector specific with no country cited) or for distribution to a USAID Mission (if the proposal is explicit regarding a country where the planned activity will be conducted). The working group shares the responsibility for tracking the status of higher education proposals with the HEC Liaison. The group communicates frequently to ensure that the improvements in procedures and information flow are achieving their desired results.

In the House Appropriations Committee Report 107–663 and the Senate Appropriations Committee Report 107–219, Congress included the requirement that USAID report on the status of 68 university proposals listed in the House and Senate reports.

The following actions have been taken concerning university proposals:

- The HEC Liaison sent e-mails to every higher education institution mentioned in the University Programs section of the Senate and House Reports to direct them toward information about Agency solicited competitive processes and opportunities. (Ten of the universities mentioned submitted applications to the University Partnerships competitive grant program).
- The HEC Liaison made personal telephone calls to thirty higher education institutions listed in the Senate and House Reports to ascertain the status of their proposal submissions and to provide guidance.
- The HEC Liaison has been contacted by at least thirty higher education institutions to request information about guidelines for developing concept papers, proposals, and for information about how the review process works (if the proposal aims to work in a particular USAID/Mission, then the proposal is shared with the Mission for review, if not, the proposal is reviewed in a technical or regional bureau). Every call or e-mail from higher education institutions to the HEC Liaison is responded to in an informative and timely way.
- The HEC Liaison has participated in numerous conferences, meetings, site visits, regarding the USAID-University relationship and the specifics for how Universities can address Agency policies, programs, projects and obtain support for doing so.

Following is the status of university proposals mentioned in the House and Senate Reports (June 23, 2003):

Total number of universities cited .....	58
Total number of proposals cited .....	68
Number of proposals received .....	37
Number not received .....	31
Of those received:	
Number of proposals approved .....	17
Number rejected .....	12
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**Summary:**

(1) 54 percent of proposals mentioned in the House and Senate Reports have been received.

(2) 46 percent of proposals received have been funded.

(3) 32 percent of proposals received have been rejected.

(4) 22 percent of proposals received are under review.

The 17 successful proposals were approved because they met the review criteria contained in USAID's brochure and website U.S. Higher Education Community: Doing Business with USAID. The criteria include two, which bear on the proposed activities' consistency with foreign policy and development goals. They are: the extent to which the proposal supports USAID's mandate and objectives, and the anticipated long-term impact of the project and the nature of the on-going relationship between institutions.

The major reason that the twelve proposals were rejected included:

- The failure to meet or support USAID's mandate or objectives in the country, region, or sector

- The duplication of ongoing efforts
- Budget limitations in targeted bureaus, countries
- Lack of technical merit

In each case where proposals were rejected, a letter was sent to the applicant informing them of the reasons why the proposal was not accepted.

#### QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

##### PEOPLE WITH DISABILITIES IN AFGHANISTAN

*Question.* As you may know, I have been a long-time advocate for the rights of people with disabilities and was one of the main authors of the Americans with Disabilities Act. It is very important to me that any reconstruction supported with U.S. funding be accessible to people with disabilities and allow them to equally participate in civic and community life. As I am sure that you will agree, it is critical that at this crucial period in Iraq and Afghanistan where the people in these two nations are rebuilding their futures, all voices be heard. It is my hope that the Administration has given this some thought and I would be eager to learn what the short-term and long-term plans USAID has developed to address this important issue? I use the term reconstruction to mean both physical structures and civil society. What programs does USAID have to assist people with disabilities in Afghanistan? Again, I would be interested in the short-term and long-term programs.

*Answer.* In answer to both questions, USAID has taken an active role in the development of two programs aimed at war-victims and people with disabilities through the Leahy War Victims' Fund. One is a million dollar grant to the Comprehensive Disabled Afghans Programme (CDAP) run by UNOPS, to address needs of disabled Afghans. The other is a \$2 million program from the Displaced Children and Orphans Fund (DCOF) which will address some of these issues as well.

The Comprehensive Disabled Afghans' Programme (CDAP) has been selected as the lead entity to assist the Ministry of Martyrs and Disabled in developing national capacity in the field of disability. This project provides quick impact interventions that will help to address the problems faced by the Government of Afghanistan.

Consultation with the disabled population of Kabul, particularly those involved in recent political activities, has established the need for community-based outreach centers for the disabled in Kabul. The disabled community would like to see basic rehabilitation services provided, along with some ancillary services, such as job assistance.

Current procurement is open for bids for the running of five rehabilitation centers. It is expected that the centers will open no later than September 01, 2003 providing jobs, training and comprehensive rehabilitation services.

DCOF has awarded a \$2 million grant to three leading child-focused agencies—Child Fund Afghanistan (CFA—also known as Christian Children's Fund in the United States, International Rescue Committee, and Save the Children/U.S.—to assist 50,000 vulnerable children and families, including orphans, displaced children, working children, and former child soldiers.

The three agencies, which work together as part of the NGO Consortium on the Care and Protection of Children with CFA playing the finance management role), will each focus on vulnerable children in a particular geographic area. CFA will work in northeastern provinces (Kunduz, Takhar, and Badakhshan); IRC will work in the Herat region; and Save the Children will work in Kabul. The work will include:

- Specialized Community-based training
- Targeted Community Programs like youth-led civic works projects, vocational training, income generation, and infrastructure rehabilitation.
- Targeted assistance to highly vulnerable children, youth and families through small grants, supplies and referrals.

In addition, USAID will be constructing handicapped accessible schools and clinics throughout Afghanistan, and is facilitating the distribution of 10,000 privately donated wheel chairs to the disabled of Afghanistan.

##### SECURITY IN AFGHANISTAN

*Question.* Last year, President Bush said: "We will help the new Afghan Government provide the security that is the foundation for peace."

A month ago, the Washington Post reported that a private USAID assessment concluded that: security issues have made it "almost impossible" to manage some programs in much of the country and "security risks will remain high for the foreseeable future."

The U.N. Peacekeeping Force is limited to operating in Kabul; the Afghanistan National Army is years away from being an effective force; and there are too few U.S. troops to bring order to many of the outlying areas. We are told there is talk of a NATO force, but so far it seems to just talk.

In the meantime, the Karzai government is increasingly seen as incapable of wielding authority outside of Kabul. I assume you saw last Sunday's NY Times Magazine article about the continuing power of Afghan warlords. Aren't you concerned that this is undermining USAID's ability to rebuild the country? Shouldn't the United States be showing more muscle against the warlords, to back up the central government and keep reconstruction efforts in Afghanistan moving forward?

Answer. The security situation continues to be a constraint and has hampered the development and reconstruction efforts. For example, demining on the highway had to stop for a couple of weeks because of attacks against the deminers. Security problems will continue to impact reconstruction efforts and are a serious concern for the upcoming elections. USAID staff are not able to visit and monitor projects without being accompanied by armed security guards, or in some cases, the military. This can also impact the monitoring of project implementation.

#### AFGHAN MINISTRY OF EDUCATION

*Question.* What is USAID doing to support the Afghan Ministry of Education? Are you providing training and equipment, so it can begin to do its job?

Answer. USAID has recently awarded an \$18.5 million contract to Creative Associates International, Inc. (CAII), to implement the "Afghanistan Primary Education Program" (APEP). This program supports the Ministry of Education (MOE) by providing textbooks for the current academic year, teacher training, radio-based distance education for teachers and accelerated learning opportunities for girls and boys who were denied educational opportunities under the Taliban. In addition, USAID fielded an education advisor to work with the ministry and assist with curriculum revision and other activities to support capacity development at the ministerial level. CAII is providing assistance to the MOE with budgeting, planning, and data collection and analysis. USAID, working with the University of Nebraska at Omaha and other partners, provided 15 million textbooks for Afghan children for the opening of schools last year. The University of Nebraska is also continuing with teacher training. USAID has also committed to building 1,000 schools over the next three years.

#### AFGHAN MINISTRY OF WOMEN'S AFFAIRS

*Question.* What about the Ministry of Women's Affairs (MOWA)? Are you helping to build its capacity, so it can work to address the needs of women who have been so repressed?

Answer. Immediately upon reopening the Kabul Mission in January, 2002, USAID fielded a Gender Advisor, who works closely with the Minister in planning activities, and initiated repairs to the MOWA headquarters. USAID is also working with MOWA on its financial management systems. USAID is funding the construction of 18 women's centers in Afghanistan, one in each province, thereby covering over half the country. We are also developing programs for these centers whereby women can come together and learn basic technical and vocational skills. In addition to supporting the Ministry of Women's Affairs, USAID has integrated gender issues into its programming, so that it can address the needs of women. USAID believes that the MOWA should work to increase the capacity of relevant ministries to mainstream issues that are relevant to women. We are concerned that strengthening the MOWA alone will not ensure programs effectively targeting women and girls are incorporated in the development agenda of the TISA.

#### PEOPLE WITH DISABILITIES IN IRAQ

*Question.* As you may know, I have been a long-time advocate for the rights of people with disabilities and was one of the main authors of the American with Disabilities Act. It is very important to me that any reconstruction supported with U.S. funding be accessible to people with disabilities and allow them to equally participate in civic and community life. As I am sure that you will agree, it is critical that at this crucial period in Iraq and Afghanistan where the people in these two nations are rebuilding their futures, all voices be heard. It is my hope that the Administration has given this some thought and I would be eager to learn what the short-term and long-term plans USAID has developed to address this important issue? I use to term reconstruction to mean both physical structures and civil society.

Answer. USAID's policy regarding people with disabilities stresses the inclusion of people who have physical and mental disabilities and those who advocate and



offer services on behalf of people with disabilities. This commitment extends from the design and implementation of USAID programming to advocacy for and outreach to people with disabilities. USAID's short-term plan has been to highlight this policy to our private sector partners, especially before starting rehabilitation evaluations of public facilities such as schools, hospitals and airports.

USAID is also supporting \$40 million in program funding to U.N. agencies, including UNICEF, and NGOs including the American Refugee Committee, CARE, Goal, IMC, IRC, Mercy Corps, Save the Children/U.S., and World Vision. The programs focus largely on Iraq's most vulnerable populations, which include people with physical and mental disabilities.

#### USAID PROGRAMS ENGAGING ISRAEL IN DEVELOPMENT ACTIVITIES

*Question.* The United States and Israel are in the last stages of terminating a program called CDR/CDP that has been remarkably effective in spreading Israeli technology and its unique agricultural advances to nations in Africa, Asia and, particularly, in Central Asia. With the increased AID focus on decentralization of aid programs, is there anything that could be done to encourage our AID missions to utilize the special expertise Israel brings to rural development in the developing world?

*Answer.* First, a clarification will be helpful. CDR (the Cooperative Development Research program) and CDP (the Cooperative Development Program) are two distinct programs. Only the CDP is in its final year of funding. CDR continues to be funded centrally at a level of \$1.5 million per year.

The Cooperative Development Research Program (CDR) has been an effective way of partnering researchers from developing countries in the Middle East, Africa, Asia, and Latin America with Israeli scientists. In addition to agriculture, research teams who have competed successfully for peer-reviewed grants have focused on projects in health and the environment.

In recent years, the CDR Program has included a special initiative that enabled scientists in the Central Asian Republics to partner with Israeli and U.S. researchers. Due to a funding decision made by the regional mission in the Central Asian Republics, this special CDR program will no longer continue.

The Cooperative Development Program (CDP) received its last allocation of central funding in fiscal year 2003. This program was designed to enable the Israeli development program, MASHAV, an arm of the Ministry of Foreign Affairs, to work with partners in developing countries on agricultural issues and to provide training on a variety of subjects in Israel. After many years of successful expansion and the commitment of about \$75 million, it was agreed that central funding from USAID for this Program was no longer needed. However, USAID missions have been encouraged to continue working with MASHAV, in areas where they and their partner institutions have great strength. USAID/Central Asian Republics has been one of the missions that has done so, starting in fiscal year 2001. The program in the region has involved agriculture, health, and agribusiness. The Mission-funded agreement runs until the end of fiscal year 2005.

#### IOWA UNIVERSITY REQUESTS

*Question.* Over the past several years, a few universities and colleges in Iowa have submitted proposals to USAID for funding. They have been frustrated by the endless bureaucracy and the lack of a transparent process wherein all universities and colleges that are interested in pursuing possible USAID funding would be fully informed in a timely fashion about submitting their proposals and supporting rationales to the appropriate USAID office(s) for peer review and merit-based decisions on which proposals would be funded. Furthermore, the Committee has pointed out this problem to USAID and has urged action on this issue in previous reports yet this continues to be a problem. What steps, if any, are being taken by USAID to address this problem?

*Answer.* Two years ago USAID established a Higher Education Community (HEC) Liaison position in its Office of Education in the Bureau for Economic Growth, Agriculture and Trade. Martin Hewitt now serves as the HEC liaison and is the key point of contact for universities seeking information and advice on the opportunities and programs within USAID.

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The major reason that the twelve proposals were rejected included:

- The failure to meet or support USAID's mandate or objectives in the country, region, or sector
- The duplication of ongoing efforts
- Budget limitations in targeted bureaus, countries
- Lack of technical merit

In each case where proposals were rejected, a letter was sent to the applicant informing them of the reasons why the proposal was not accepted.

As for the four proposals from the two Iowa Universities (the University of Iowa and Northern Iowa University) cited in the University Proposals section of the Senate and House Reports, one proposal was accepted (Northern Iowa—\$272,000), one was supported by the Department of State (Northern Iowa University), and two were rejected (the University of Iowa and Northern Iowa University).

## QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

## COMMITMENT TO AFGHANISTAN

*Question.* Is the United States committed to a long-term presence in Afghanistan? Are we dedicating enough funds to Afghanistan? What areas are deserving of greater support and attention? How many years do you anticipate USAID's involvement?

*Answer.* As President Bush has stated, the United States is committed to Afghanistan for the long-term and that includes USAID. With Administration and Congressional support, USAID intends to stay in Afghanistan as long as we have a role to play in assisting the Afghans recover from years of war, drought, and underdevelopment. The needs of Afghanistan have far outstripped donor resources. However, the United States has been, and will continue to take a lead role in delivering reconstruction assistance in many of the most critical areas. Since September 11, USAID alone has programmed nearly a billion dollars in assistance.

More needs to be done to rejuvenate Afghan livelihoods to include job creation in both traditional (e.g., agriculture) and non-traditional sectors. Afghans need to feel secure in order to invest in their and their children's future. Without a more secure environment, free of crime and corruption, reconstruction will be slowed. So the other area deserving of attention is security.

*Question.* Do you support Secretary Powell's funding goal of \$8 billion for Afghanistan?

*Answer.* I do support the Secretary's funding goal for Afghanistan.

## WOMEN IN AFGHANISTAN

*Question.* Would you support a requirement to set a percentage of aid to be directed toward the advancement of Afghan women or be conducted by women-led relief organizations?

*Answer.* This Administration, as well as prior ones, does not seek or encourage earmarks, however well-intentioned. USAID's approach to assisting Afghan women is to incorporate them into all our programming, with a special emphasis on their most critical needs, rather than promote specific set-asides. The most critical need of Afghan women is improvement in healthcare. Afghanistan has the highest maternal mortality rate in the world along with Sierra Leone. Many of these deaths are preventable. USAID's \$133 million (over 3 years) health program focuses on maternal/child health in the rural areas where 80 percent of Afghanistan's population live and where there are completely inadequate health services for women.

The second most critical need is education. USAID's \$60 million education program (over 3 years) emphasizes drawing girls back into school including construction of girls-only schools; accelerated learning programs for girls who missed out on education under the Taliban; and other incentives, such as cooking oil to families that send their daughters to school.

Both the health and education components include job creation opportunities (teachers and community health workers) for women. USAID's agricultural programs are seeking to expand income generation opportunities to women, such as food processing and vegetable gardens. We have worked with a number of Afghan women-led groups and we look forward to continuing and expanding these relationships.

## ENHANCING WOMEN'S ROLE IN AFGHAN SOCIETY

*Question.* What are we doing to ensure Afghan women will have a direct role in society?

*Answer.* USAID is supporting activities in women's education, employment, and women's centers which empower them to assume a more direct role in society. Below we provide specific activities, with funding amounts, in each of these areas:

## Education/Training for Afghan Women and Girls:

—Assistance in 2002 school year: Trained 1,359 teachers, 907 of whom were women, and printed 15 million textbooks for 2002 school year, contributing to an increase in girls' enrollment from 90,000 under Taliban in 2001 to 900,000 in 2002 school year. (Total project funding including teacher training and textbook printing: \$7,709,535) Reconstructed 142 schools, daycare centers, teacher training colleges, and vocational schools. (Total activity funding approximately: \$5.5 million) In addition, USAID provides a food salary supplement to 50,000 teachers equal to 26 percent of pay. (Total USAID food aid funding in fiscal year 2002: \$158,600,000; Total USAID food aid funding to date in fiscal year 2003: \$42,662,800)

—Assistance in 2003 school year and going forward: USAID printed and distributed 10.7 million textbooks for 2003 school year. Early indications show about

a 30 percent increase in enrollment over 2002; many of these new students are expected to be girls, which will be known with greater certainty when the enrollment survey is completed in summer 2003. USAID's new education program will support accelerated learning programs for up to 60,000 children, mostly girls that missed education under the Taliban. USAID intends to rebuild between 1,000–1,200 schools, benefiting 402,000 students, over three years. In addition, USAID continues a food salary supplement to 50,000 teachers equal to 26 percent of pay. (Education budget is \$60.5 million over three years; \$7.41 million has been obligated to date)

- Food-for-Education Program: Through WFP, USAID is supporting distribution of food to schoolchildren in several districts of Badakhshan Province, in north-eastern Afghanistan. Approximately 27,000 children and 1,500 teachers and service staff in 50 schools have received a four-month ration of wheat flour. Under this program, girls receive five liters of vegetable oil every month as an extra incentive for regular school attendance. The program increases school attendance, reduces dropout rates, and encourages families to send girls to school.
- Through the Afghan NGO, ACBAR, USAID supports a program to encourage Afghan women and girls to read by hosting reading classes and improving the country's libraries. The staff of nine libraries within eight provinces is receiving training and supplies of books. (Total activity funding: \$61,180)

#### Employment for Afghan Women:

- Widow's Bakeries: USAID supports the World Food Program's (WFP) 121 Widow's Bakeries in Kabul, Mazar, and Kandahar. In Kabul, the bakeries provided 5,000 children with fresh bread in school. Overall, through employment and provision of subsidized bread, WFP reports that 200,000 urban vulnerable people benefited from this program in CY 2002. USAID support represented over half of WFP's CY 2002 budget in Afghanistan.
- Daycare Centers: Seventeen centers have been built for Government ministries and offices to enable women to return to work. (Total activity funding: \$151,506)
- Women's Entrepreneurship: Through USAID's work with the Ministry of Finance in trade and investment promotion, USAID has written an action plan, approved by Minister of Finance Ghani, which includes: capacity building for women in all areas of trade, including export promotion, administrative trade barrier issues, licensing, and small and medium business development.
- Income Generation Opportunities: Some examples include:
  - 3,200 women, primarily widows, receive approximately \$30 for 15 days work, producing clothing and quilts in three women's centers in Charikar, Taloqan, and Maimana (\$2/day is also the typical wage for male labor). In addition, the women receive basic health education and some English training while working in the centers.
  - The women of northwestern Afghanistan are receiving tools and materials to generate their own income through activities such as growing kitchen gardens, embroidering, producing cheese and yogurt and crafting shoes. (Total activity funding: \$51,072)
  - 400 women returnees in the Shomali, an area devastated by the Taliban's ruin of its household poultry stock, have received 10 breeding chickens each to generate family income.
  - 100 women, mostly widows, employed in raisin processing in Kandahar.
  - Rehabilitation of the offices of the NGO, ARIANA so they can provide vocational training to 1,800 women. (Total activity funding: \$12,470)
- Women's Employment through USAID's Major Agriculture and Rural Incomes program (RAMP): Agriculture employs 70 percent of Afghanistan's labor force, and Afghan women play a large part in agriculture, especially in raising livestock. RAMP will improve the technical capacity of Afghans for raising livestock. RAMP will also provide women entrepreneurs with innovative opportunities for credit and business training. This activity will be particularly helpful for women-headed households, which are among the most vulnerable in Afghanistan.

#### Afghan Women's Centers:

- USAID built and furnished the first Women's Resource Center. (Total activity funding: \$60,000) USAID is currently engaged in building and providing programming for seventeen women's centers throughout Afghanistan. Three of these are currently under design in Jalalabad, Samangan, and Taloqan. (Total activity funding: \$2.7 million) The Ministry has recently identified 14 more sites for USAID to build and furnish centers. (\$2.5 million obligated in fiscal year 2002 Supplemental funds) In addition, USAID will fund programming for the

centers, e.g., health education programs, daycare, etc. (\$5 million of fiscal year 2003 funds to be obligated early this summer)

Lastly, improved women's health is strongly linked to the ability of Afghan women to assume a more direct role in society. One of the central goals of the three year, \$100 million REACH program is to reduce Afghanistan's high maternal mortality rate. The program will accomplish this goal by building 400 new clinics and funding performance grants to NGOs to provide a basic package of health services, particularly in rural areas, where medical care is most scarce. A major component of this program will be to increase women's access to skilled birth attendants and essential obstetrical services through an extensive training program. The first obligation for REACH is expected in the first week of May.

#### IRAQ RECONSTRUCTION BUDGET

*Question.* What is the total reconstruction budget for Iraq—including funds seized from Iraqi assets?

*Answer.* This question is most appropriately addressed to the Department of Defense. USAID is using congressionally appropriated IRRF funds to provide rapid improvements to the quality of life in Iraq.

*Question.* Congress recently provided \$2.5 billion in the emergency supplemental for relief and reconstruction in Iraq. While USAID does not control the funds, how much has been disbursed and how much do you anticipate USAID to receive for reconstruction programs?

*Answer.* USAID expects to receive \$1.1–\$1.3 billion for the reconstruction effort and \$500 million for relief. As of July 9, \$361 million was obligated for reconstruction and over \$107 million has been expended.

*Question.* Have all USAID accounts that were “borrowed from” for pre-positioning supplies in Iraq been reimbursed?

*Answer.* Yes, all the “borrowed” funds have been reimbursed by OMB.

#### IRAQ RECONSTRUCTION

*Question.* In Iraq, what is your role?

*Answer.* The USAID Administrator provides day-to-day executive direction and leadership on Agency programs and management operations to ensure a fast-paced relief and reconstruction effort. As in other countries, USAID/Iraq is led in the field by a Mission Director, Lewis Lucke, who reports to the Assistant Administrator of the Asia and Near East Bureau, Ambassador Wendy Chamberlin. Ambassador Chamberlin reports to the Administrator.

*Question.* How many USAID staff are in Iraq? How is the security environment there affecting their ability to work? Is it true that USAID's Iraq Mission Director is actually living in Kuwait, because it is to unsafe to work effectively in Baghdad?

*Answer.* As of July 8, USAID had 71 staff working in the region in support of USAID's Iraq programs. Of the 71 personnel, 35 are physically in Iraq. This number is limited by communication links and billeting space. There continue to be security incidents which limit the effective delivery of services, materials, and supplies. USAID's Iraq Mission Director is now working primarily in Baghdad. USAID has had full-time staff in Baghdad since April 23.

*Question.* What plans do you have for increasing the number of USAID staff there?

*Answer.* USAID recognizes the importance of providing robust oversight of appropriated funds. USAID's Asia and Near East Bureau has prepared an initial mission structure that is under review, which proposes 16 U.S. Direct Hire and a number of contract and Foreign Service National staff.

*Question.* Recently, Sec. Rumsfeld said we will stay in Iraq only as long as necessary, and not a day longer.

Is the United States committed to a long-term presence in Iraq to establish peace and security? Wouldn't a short-term departure only allow the forces of fanaticism and fundamentalism to re-emerge?

*Answer.* USAID is focused on addressing immediate reconstruction requirements in Iraq and meeting the essential targets established for each sector in which it works. USAID expects to fully spend its portion of the Iraq Relief and Reconstruction Fund (IRRF) by September 2004 and is prepared for a long-term presence should the Administration make that decision.

*Question.* Are we dedicating enough funds to the reconstruction of Iraq? (\$2.4B in the Supplemental with no request in fiscal year 2004)? After all, the Marshall Plan had a price tag of \$88B in today's dollars. Can we expect future supplementals and money in the fiscal year 2005 request to fund Iraqi reconstruction?

Answer. USAID is prepared to implement a longer-term program should the President request additional resources from Congress.

*Question.* What are we doing to ensure Iraqi women will have a direct role in society—to vote, work, go to school, and serve in the new government? Would you support a call to require that a set percentage of aid be directed toward the advancement of Iraqi women, or be conducted by women led relief organizations?

Answer. USAID-supported gender programs include provisions for the hiring of female staff to work with vulnerable women, including as traditional birth attendants and for assessments; food and potable water support for war-affected women of childbearing age; and the construction of gender-specific latrines for internally displaced persons.

USAID is planning to put into place in Iraq up to two major micro-finance lending institutions. USAID's experience elsewhere shows that such institutional lending goes predominantly to women to start small enterprises. The loans are typically small loans around \$50 to \$300. These women entrepreneurs will be able to borrow privately. USAID is also planning to implement a macro economic program to bolster economic growth in Iraq.

Regarding education, USAID will be developing an accelerated learning program for youth who have dropped out of school. Of these children, a majority are girls, and this program will be designed to get them back to school at the appropriate educational level. Second, through the water and sanitation program, USAID will ensure there are sanitary facilities for girls in schools, which will encourage girls to come back to school and increase the rate of girl's enrollment.

*Question.* Humanitarian relief organizations still report difficulties in delivering aid to the Iraqi people. Only after people have food and shelter, will the Iraqis truly see America as wanting to liberate Iraq, and not occupy Iraq. What steps are we taking to make the delivery of humanitarian supplies as efficiently as possible?

Answer. The U.S. Government has supported the United Nations World Food Program with cash, Public Law Title II food commodities and Emerson Trust food commodities in the amount of \$480,033,000. With these and other resources, the World Food Program (WFP), in partnership with Iraq's Ministry of Trade, has reestablished the Public Distribution System and successfully completed the June ration distribution nationwide. More than 400,000 metric tons of wheat flour, rice, oil, pulses, infant formula, sugar, tea, soap and detergents have been distributed internally to approximately 26 million Iraqi beneficiaries.

Distributions for the month of July have already begun and the Ministry of Trade has publicly announced the July ration through television, radio and print media.

By supporting WFP, the United States has helped assure the delivery of more than 758,128 metric tons of food commodities to Iraq from neighboring countries for the month of June. This is equal to a food pipeline of more than 1,000 metric tons entering Iraq per hour, 24 hours a day, seven days a week, sustained for a period of 30 days. To assure rapid delivery to all points in Iraq, the program is using the transportation corridors in Turkey, Jordan, Syria, Iraq (through Umm Qasr port), Kuwait and Iran.

The WFP program is planned to continue through the month of October 2003.

#### USAID/DOD RELATIONSHIP IN IRAQ RECONSTRUCTION EFFORTS

*Question.* The reconstruction effort in Iraq is being headed up under the DOD's Office of Reconstruction and Humanitarian Assistance (ORHA). Congress appropriated \$2.48 billion for reconstruction and humanitarian aid in the supplemental bill earlier this spring. USAID has traditionally been the government agency to manage reconstruction and humanitarian assistance.

What is the relationship between USAID and ORHA? Does USAID have sufficient input with ORHA so that reconstruction and humanitarian efforts are efficient and expedient? Is ORHA interested in USAID's expertise and history in the international development business?

Answer. USAID maintains a close and productive relationship with ORHA and its successor, the Coalition Provisional Authority (CPA). All projects are approved by Ambassador Bremer and CPA's Program Review Board before being sent to OMB and notified to the Congress. USAID closely coordinates in the field with military civil affairs officers, CPA civilian staff and Iraqis.

#### AIDS IN EASTERN EUROPE AND FORMER SOVIET UNION

*Question.* This year, the President requests only \$1.2 million for HIV/AIDS initiatives in Eastern Europe and \$15.4 million in the Former Soviet Union. I have been to Romania three times. I know the horror stories of the mother-to-child trans-

missions and the HIV orphans. The AIDS problem is very real in Eastern Europe and the Former Soviet Union.

The problems in Eastern Europe and the Former Soviet Union may not be as serious as those found in Africa, but how can we provide any effective treatment in Eastern Europe and the Former Soviet Union with such small funding allocations?

Answer. Your concerns about HIV/AIDS in the Europe and Eurasia (E&E) region are well founded. Though overall prevalence in E&E is low, the world's steepest rise in new HIV infections is in this region, particularly Russia and Ukraine. The epidemic is driven primarily by injecting drug use and exacerbated by a host of factors including increased rates of sexually transmitted infections, cheap drugs, expanded prostitution, and human trafficking.

The Administration has recently re-emphasized its commitment to combating HIV/AIDS in the E&E region, including a report by the National Intelligence Council, two Chiefs of Mission meetings in Kiev and Moscow, and a strong statement by Secretary Powell in Moscow in May.

USAID's commitment to combating HIV/AIDS in E&E is demonstrated by our Agency maintaining levels of HIV/AIDS funding in the face of overall decreases in the FREEDOM Support Act and SEED Act accounts. In the E&E region, total HIV/AIDS funding for fiscal year 2003 is expected to total \$19.4 million (\$11.6 million from the FREEDOM Support Act account, \$1.8 million from the SEED Act account, and \$6.0 million from the Child Survival and Health account.) A slight increase is anticipated for fiscal year 2004.

At the present time, locally funded programs and those supported by USAID and other donors are reaching only a fraction of the high risk groups that must be reached if the epidemic is to be controlled. Of course, more resources for HIV/AIDS could be put to good and immediate use in Europe and Eurasia. However, it would be a mistake to shortchange other urgent health needs such as tuberculosis in order to plus up HIV/AIDS funding. Consequently, USAID continues to strive to use our scarce HIV/AIDS resources in the most effective ways possible. In the priority countries of Russia and Ukraine, USAID missions are finalizing revised HIV/AIDS strategies, and the Agency is taking a fresh look at regional E&E programs as well. USAID will continue to focus on prevention programs directed at those most at risk—while also expanding our programs of treatment, care and support. Programs to prevent maternal to child transmission have already demonstrated their effectiveness. The U.S. Government also must continue to urge the leaders of Europe and Eurasia to engage the HIV/AIDS epidemic with increasing vigor.

Given our budget realities, USAID is working to leverage other non-U.S. Government resources. With USAID technical assistance, twelve E&E countries have been awarded nearly \$250 million in grants from the Global Fund Against HIV/AIDS, Tuberculosis and Malaria.

While USAID will continue to focus its global HIV/AIDS resources in high prevalence countries outside of Europe and Eurasia, I agree with you and want to underscore the need to aggressively address the epidemic in Europe and Eurasia now, before the window of opportunity slams shut. I echo the theme of the Kiev Chiefs of Missions meeting when I say that low prevalence should not mean low priority.

#### FUNDING FOR ROMANIA

*Question.* Mr. Natsios, I am pleased to know you recently returned from Romania. Romania is a country that has overcome a repressive dictatorship to hold four national elections and implement market reforms. Additionally, Romania is poised to gain NATO admission this year. Furthermore, Romania has been a tremendous ally to the United States in Desert Storm, Kosovo, Afghanistan, and Iraq. Romania has contributed well over 1,000 troops to the war on terrorism. Moreover, Romania has made itself home to 5,000 U.S. Marines in the war on terrorism. In good times and in times of need for the United States, Romania has been more than a reliable ally.

Despite the positive steps Romania has taken, Romania still requires our assistance to make its economic reforms, child-welfare reforms, and democratization efforts fully take hold, not just spread a few feeder roots.

Why are we cutting development funds [from] Romania, a reliable ally, at a time when they need our assistance to solidify their reforms?

Answer. We agree that much still needs to be done in Romania, and we are making excellent progress, despite very limited resources. Although the Administration initially debated setting a graduation date for Romania, none has been established. The current plan for U.S. assistance to Romania calls for maintaining present funding levels of about \$28 million annually (or perhaps modestly increasing that level) through fiscal year 2008. Despite significant improvements by Romania over the past two years in macro-economic performance, economic reform and democratiza-

tion, Romania still has much to do to improve its governance, transparency and other development and transition objectives. We will continue to monitor Romania's progress toward graduating from U.S. assistance to see whether a date can be set to end U.S. bilateral assistance funding.

*Question.* How do you determine when a country "graduates" from USAID assistance? Is it common to permit countries to "graduate" with incompletes? The Millennium Challenge and your testimony state that we are committed to those countries headed in the right direction and assisting us in the war on terrorism. It seems Romania has taken all the right steps, only to be undercut by the United States. We let Romania down after WWII and allowed the Soviets to take-over. Let's not do so, again.

*Answer.* The date for graduation from U.S. assistance is set when our analysis finds that a country is expected to be able to sustain progress towards democracy and an open market orientation without substantial further U.S. Government assistance. The analysis includes a review of country-specific program indicators designed to define graduation potential, standardized indicators of country progress, and a wide range of consultations with various USG agencies and political leaders. Even after graduation, a country may receive relatively small amounts of assistance from bilateral funding or regional funds to help it redress limited areas where deficiencies persist.

In at least one of the eight countries where bilateral SEED funding ended, there was controversy over whether the graduation targets had been achieved. In that case and several others, some USG assistance continued, albeit at levels significantly below those before graduation. All countries where USAID bilateral missions have closed are now considered to have progressed beyond the need for further substantial SEED assistance.

#### USAID DISASTER ASSISTANCE RESPONSE TEAMS

*Question.* The USAID has dispatched DARTs to Iraq.

How many DARTs are there in Iraq? How many people comprise a DART? What are the responsibilities of DARTs? Are the DARTs spread geographically throughout Iraq, or are they centralized in Baghdad?

*Answer.* There is one Disaster Assistance Response Team (DART) in the Persian Gulf region, which is divided into four regional teams. All members of each team are a part of the same DART.

The size and responsibilities of a DART vary depending on the type, size, and complexity of disasters to which the DART is deployed. USAID's Office of U.S. Foreign Disaster Assistance (OFDA) developed the DART as a method of providing rapid response assistance to international disasters, as mandated by the Foreign Assistance Act. A DART provides an operational presence on the ground capable of carrying out sustained response activities. This includes coordinating assessment of the situation, recommendations and advice on U.S. Government response options, and funding and management of on-site relief activities.

As of July 9, 2003, there are a total of 27 DART members in the Gulf region. Of these 27 DART members, 19 are in Iraq, including 10 in Baghdad, 6 in Arbil (northern Iraq), and 3 in Al Hillah (central Iraq). In addition, eight DART members are located in Kuwait City. These numbers fluctuate as the DART members travel and respond to needs in the region.

#### FUNDING FOR MICRO-ENTERPRISE

*Question.* The fiscal year 2004 budget request seeks \$79 million for funding of micro-enterprise efforts globally. \$79 million was funded in fiscal year 2002 and fiscal year 2003, so there has been no increase in funding for a program that produces great results.

How many countries is USAID involved in micro-enterprise efforts? How does USAID determine how long it will fund micro-enterprise in a country before focusing efforts on a new country? What countries are in the pipeline to receive micro-enterprise assistance?

*Answer.* In fiscal years 2002 and 2003, USAID funded micro-enterprise activities in about 50 countries in the Africa, Latin America and Caribbean, Asia and Near East and Europe and Eurasia regions. USAID obligations over the last 3 years, from all funding accounts, have generally averaged around \$150 million. In fiscal year 2001, our obligations were at \$158 million. In fiscal year 2002, the funding level exceeds \$170 million. Most of USAID's micro-enterprise programs range from 3 to 5 years, depending on the nature of the activity.

Institutional development programs tend to take longer; policy reform efforts usually are somewhat shorter. In some countries, there have been numerous micro-en-



terprise projects. Countries such as Bolivia, Honduras, Mali, Kenya, Bangladesh, Indonesia, for example, have had micro-enterprise projects since the 1980's. In the coming year, USAID is planning to undertake micro-enterprise activities in some new countries, such as Afghanistan, Yemen and Iraq.

#### UNIVERSITY FUNDING DIRECTIVES

*Question.* Over the past three years, this Committee has included several Committee directives on funding requests for Universities within the Bilateral Economic Assistance Account. To my knowledge these directives have not been followed. In fact, this Committee has included strongly worded language directing the Committee to adhere to these funding initiatives, but still to no avail.

Why does USAID continue to ignore this Committee's directives? In particular, why has USAID not funded the following Louisiana State University programs, which have received commendation from this Committee—the Emergency Management Program, the Namibia Mariculture Program, and the Latin American Commercial Law Program?

*Answer.* USAID has not ignored the Committee's directives. Two years ago USAID established a Higher Education Community (HEC) Liaison position in its Office of Education in the Bureau for Economic Growth, Agriculture and Trade. Martin Hewitt now serves as the HEC liaison and is the key point of contact for universities seeking information and advice on the opportunities and programs within USAID.

For tracking and management of unsolicited concept papers and proposals, the HEC Liaison is supported by a working group within the Agency. This working group is composed of representatives from the regional and technical bureaus. The working group shares the responsibility for either reviewing the proposal in the regional or technical office (if the proposal is technical or sector specific with no country cited) or for distribution to a USAID Mission (if the proposal is explicit regarding a country where the planned activity will be conducted). The working group shares the responsibility for tracking the status of higher education proposals with the HEC Liaison. The group communicates frequently to ensure that the improvements in procedures and information flow are achieving their desired results.

In the House Appropriations Committee Report 107-663 and the Senate Appropriations Committee Report 107-219, Congress included the requirement that USAID report on the status of 68 university proposals listed in the House and Senate reports.

The following actions have been taken concerning university proposals:

- The HEC Liaison sent e-mails to every higher education institution mentioned in the University Programs section of the Senate and House Reports to direct them toward information about Agency solicited competitive processes and opportunities. (Ten of the universities mentioned submitted applications to the University Partnerships competitive grant program).
- The HEC Liaison made personal telephone calls to thirty higher education institutions listed in the Senate and House Reports to ascertain the status of their proposal submissions and to provide guidance.
- The HEC Liaison has been contacted by at least thirty higher education institutions to request information about guidelines for developing concept papers, proposals, and for information about how the review process works (if the proposal aims to work in a particular USAID/Mission, then the proposal is shared with the Mission for review, if not, the proposal is reviewed in a technical or regional bureau). Every call or e-mail from higher education institutions to the HEC Liaison is responded to in an informative and timely way.
- The HEC Liaison has participated in numerous conferences, meetings, site visits, regarding the USAID-University relationship and the specifics for how Universities can address Agency policies, programs, projects and obtain support for doing so.

Following is the status of university proposals mentioned in the House and Senate Reports (June 23, 2003):

Total number of universities cited .....	58
Total number of proposals cited .....	68
Number of proposals received .....	37
Number not received .....	31
Of those received:	
Number of proposals approved .....	17
Number rejected .....	12
Number under review .....	8

Total proposal funding (millions of dollars) .....	15
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**Summary:**

(1) 54 percent of proposals mentioned in the House and Senate Reports have been received.

(2) 46 percent of proposals received have been funded.

(3) 32 percent of proposals received have been rejected.

(4) 22 percent of proposals received are under review.

The 17 successful proposals were approved because they met the review criteria contained in USAID's brochure and website U.S. Higher Education Community: Doing Business with USAID. The criteria include two, which bear on the proposed activities' consistency with foreign policy and development goals. They are: the extent to which the proposal supports USAID's mandate and objectives, and the anticipated long-term impact of the project and the nature of the on-going relationship between institutions.

The major reasons that the twelve proposals were rejected included:

- The failure to meet or support USAID's mandate or objectives in the country, region, or sector
- The duplication of ongoing efforts
- Budget limitations in targeted bureaus, countries
- Lack of technical merit

In each case where proposals were rejected, a letter was sent to the applicant informing them of the reasons why the proposal was not accepted.

As regards the three Louisiana State University programs which you cite:

1. The Namibia Mariculture Program. This proposal was rejected because the Namibia Mission was at the time scheduled for closing.

2. The Latin America commercial law program. This proposal has not been received. USAID called Louisiana State in January and was informed that the University might send a proposal. To date no proposal has been received.

The other Louisiana State University program cited in the Foreign Operations Report is: A proposal to provide independent media training to local government officials from developing countries. This proposal has not been received.

#### HIV/AIDS IN AFRICA

*Question.* Within the armies and militias in West and Central Africa and particularly in the Democratic Republic of Congo, Angola, and other areas of recent and current conflict, HIV/AIDS has a higher prevalence within the soldier population than in the general population. This is a particular problem with "child soldiers". USAID has few programs that directly interface with this important sector of African society. How can USAID work more effectively to integrate intervention strategies with those entities that deal with active and demobilizing military groups? Is a policy or legislative change necessary to permit USAID to work directly with host country military personnel? Is USAID considering working with universities and the West African Health Organization (WAHO) to address the HIV/AIDS crisis within the military and former military populations in Africa? After all, WAHO is the only ECOWAS endorsed organization able to deal with complex regional, individual and organizational change. Has USAID contemplated giving support to increase the institutional strength of WAHO in order to create a coordinated and sustainable long-term solution to the problem?

*Answer.* USAID currently supports this newly constituted organization through its West Africa regional program. USAID is building the capacity of WAHO through technical assistance to develop a new agenda for health in West Africa, training in strategic planning and program design.

*Question.* The United States is committing unprecedented funds, along with the United Nations and the Global Fund, to combat HIV/AIDS in Africa. That is encouraging news, but we are already seeing a shortage of available international public health workers. The additions of retro-virals to the existing public health program, which require an even higher level of management, create further demands. Even where we have cheap effective reliable drugs to deal with the disease, as in the case of malaria, the lack of human and physical health infrastructure cripples intervention efforts. There needs to be a program to create trained American and African intervention management specialists of enormous size to manage this problem. What plans does USAID have in mind to reinforce and strengthen African educational institutions to rapidly respond to this set of challenges?

*Answer.* USAID is currently developing a human capacity strategy to address the extreme shortage of the trained personnel needed to mount a sustained response to the HIV/AIDS pandemic. This plan will include expanding the capacity of African

educational institutions to provide additional training to existing cadres of health workers as well as developing pre-service training for new health professionals, and manpower planning for national and local governments.

*Question.* Given the millions killed during the Congo/Rwanda conflict, the many people with HIV/AIDS, and, particularly, the number of demobilizing HIV positive “child soldiers” in the country, why isn’t the Democratic Republic of Congo (DRC) on the target list of countries for major intervention efforts by the United States? Given the leading role of that country from the first days of the pandemic and the number of trained, senior research and public health specialists working in Kinshasa, which I understand is more specialists than the rest of Africa, this seems to be a contradiction. Does USAID have any plans for responding to the needs of the Democratic Republic of Congo, major strategic country in Central Africa?

*Answer.* USAID is committed to addressing the HIV/AIDS pandemic in the Democratic Republic of the Congo (DRC). This commitment is reflected in the HIV/AIDS fiscal year 2004 control level of \$5,000,000, which constitutes a 25 percent increase over the fiscal year 2003 HIV/AIDS funding level of \$4,000,000. USAID’s response to the HIV/AIDS epidemic in DRC takes into account the fact that HIV transmission is fueled by war-related factors.

#### CONCLUSION OF HEARINGS

Senator McCONNELL. Thank you all very much for being here. That concludes our hearings.

[Whereupon, at 3:24 p.m., Thursday, June 5, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]